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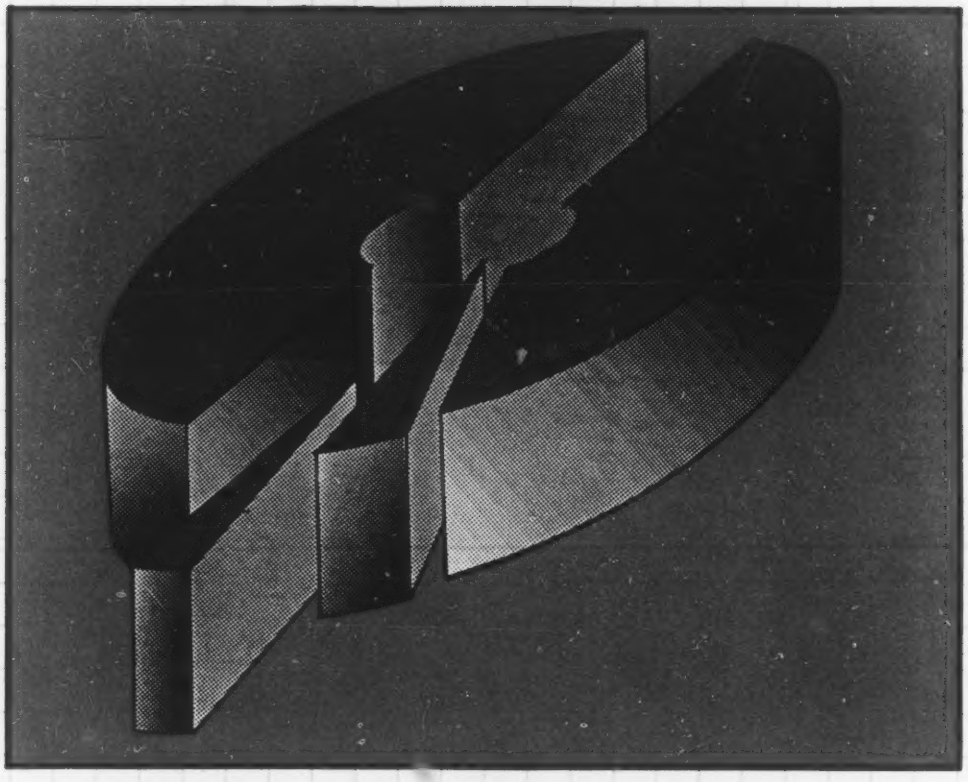
1988
MANAGEMENT
REPORT



Detailed Cost-of-Doing Business Data
For Hardware Stores.

NRHA National Retail Hardware Association

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NRHA
National
Retail Hardware
Association

Prepared by:

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Introduction

The Management Report

The 1988 Management Report presents financial operating data for retail hardware operations. The Report is designed to fulfill several objectives:

- To assess financial performance of retail hardware stores in 1987
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Management Report is divided into four major sections: Historical Trends for 1983 through 1987; The Strategic Profit Model; Average Operating Results for 1987; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Age of Operation

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provide us with detailed information on their operations. Mail questionnaires were sent to hardware store operators in February, 1988. Eight hundred and eleven usable returns were received by June 15, 1988 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by an independent data processing firm.

As thanks for their participation, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Management Report for Hardware Stores are The Bottom Line for Home Centers and The Profit Report for DIY Lumber Outlets.

For Assistance

Assistance and aid in interpreting The 1988 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association.

Historical Trends

	ALL HARDWARE STORES FISCAL YEAR				
Income Statement Data	1987	1986	1985	1984	1983
Net Sales Volume	$776,627	$682,263	$645,939	$676,017	$567,212
Gross Sales	101.61	101.96%	102.13%	102.14%	102.19%
Less: Total Deductions	1.61	1.96	2.13	2.14	2.19
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.22	65.08	65.69	67.00	65.66
Margin Before Purchase Rebate or Patronage Dividend	34.78	34.92	34.31	33.00	34.34
Purchase Rebate or Patronage Dividend	1.11	1.14	1.05	1.04	1.14
Margin After Purchase Rebate or Patronage Dividend	35.89	36.06	35.36	34.04	35.48
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	4.38	4.42	4.43	4.93	5.58
Salaries/Wages — Other Employees	11.88	12.44	11.69	11.01	11.60
Federal and State Payroll Taxes	1.39	1.41	1.58	1.39	1.34
Group Insurance	.64	.64	.66	.66	.70
Benefit Plans	.55	.46	.39	.43	.47
Total Payroll and Other Employee Expense	18.84	19.37	18.75	18.42	19.69
Occupancy Expense					
Heat, Light, Power, Water	1.06	1.15	1.13	1.17	1.19
Building Repairs and Maintenance	.25	.30	.16	.25	.31
Rent or Ownership in Real Estate**	3.89	3.80	3.85	3.53	3.76
Total Occupancy Expense	5.19	5.25	5.14	4.95	5.26
Other Costs of Doing Business					
Advertising and Promotion	2.53	2.50	2.53	2.28	2.38
Insurance (Other than Real Estate or Group)	.83	.89	.72	.64	.71
Taxes (Other than Real Estate and Payroll)	.56	.57	.43	.31	.33
Interest (Other than Real Estate)	1.38	1.32	1.40	1.53	1.42
Depreciation (Other than Real Estate)	.00	.99	.98	.94	.88
All Other Expenses	3.84	3.76	3.88	3.57	3.59
Total Other Costs of Doing Business	10.14	10.04	9.94	9.27	9.31
Total Operating Expenses	34.17	34.65	33.83	32.64	34.26
Operating Profit or Loss	1.72	1.41	1.53	1.40	1.22
Other Income	1.53	1.68	1.55	1.50	1.51
Net Operating Profit or Loss (Before Income Taxes)	3.25	3.09	3.08	2.90	2.73
Financial Performance					
Profit on Investment	13.42%	11.76%	12.10%	11.08%	9.76%
Active Owner's Return	31.51%	28.58%	29.50%	29.28%	29.73%
Current Asset Ratio	3.04x	3.39x	3.44x	3.49x	3.52x
Quick Asset Ratio	.83x	.91x	1.00x	1.03x	1.01x
Total Debt to Tangible Net Worth	102.97%	90.91%	93.19%	93.57%	85.75%
Stock Turn Times	2.61x	2.45x	2.49x	2.59x	2.40x
Sales to Inventory Ratio	4.00x	3.77x	3.79x	3.87x	3.66x
Average Inventory per Sq. Ft. Sales Area	$28.09	$28.00	$29.82	$13.14	$27.23
Net Sales to Accounts Receivable	21.30x	21.09x	20.65x	18.49x	19.58x
Net Sales to Total Assets	2.03x	1.99x	2.03x	1.98x	1.92x
Net Sales to Net Worth	4.13x	3.81x	3.92x	3.83x	3.58x
Net Sales to Net Working Capital	2.93x	2.80x	3.76x	3.75x	3.60x
Other Operating Data					
Credit Sales — % of Total Gross Sales	30.23%	31.27%	28.02%	31.86%	31.57%
Consumer Sales — % of Total Gross Sales	74.62%	74.39%	76.73%	78.13%	81.70%
Selling Area — Square Feet	5,977	5,827	6,177	6,161	6,109
Sales Per Square Foot — Selling Area	$113.63	$105.34	$106.76	$111.73	$92.84
Total Area — Square Feet	8,802	9,059	9,009	9,341	9,059
Sales Per Square Foot — Total Area	$77.53	$67.11	$73.58	$74.05	$62.62
Sales Per Person Employed	$80,682	$75,418	$69,108	$61,530	$61,196
Sales Per Customer	$11.18	$9.64	$9.83	$11.01	$9.59

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent of Net Sales**					Sales Per Square Foot				
	1987	1986	1985	1984	1983	1987	1986	1985	1984	1983
Hardware	14.5%	14.9%	16.5%	17.5%	18.1%	$112.89	$108.36	$ 99.85	$110.73	$101.24
Hand Tools	5.4	6.1	7.0	6.7	6.8	110.72	129.07	100.26	121.24	84.41
Power Tools & Accessories	3.9	4.7	4.5	4.7	4.8	143.52	132.05	114.49	104.13	89.50
Plumbing, Heating & Cooling	11.9	12.9	13.5	12.8	12.7	120.02	121.70	111.53	137.57	91.84
Electrical Supplies	8.9	9.5	10.4	9.6	9.5	127.69	134.72	118.68	147.41	106.62
Paint & Home Decorating	11.5	12.5	11.0	11.2	11.1	114.33	132.89	114.19	124.60	101.10
Lumber	.5	.8	1.1	.7	1.0	88.81	125.18	108.69	63.65	132.90
Building Materials	1.2	1.5	1.9	1.3	1.6	119.59	135.44	106.39	95.93	140.84
Lawn & Garden	13.4	13.4	11.0	10.2	9.5	118.95	114.89	115.59	115.65	81.95
Housewares	8.6	7.4	7.3	7.6	8.5	79.30	76.58	71.47	71.16	73.78
Automotive Supplies	2.8	2.5	2.8	2.8	2.5	104.83	84.24	102.15	146.70	100.72
Major Appliances & Home Entertainment	4.1	2.3	3.2	2.3	3.1	135.49	143.55	123.34	113.88	29.41
Sporting Goods & Outdoor Living	3.5	3.3	3.2	3.3	4.1	94.99	78.75	89.07	87.56	93.69
Miscellaneous Goods	9.9	8.2	6.6	9.8	6.7	124.29	107.42	109.58	127.92	78.37

	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1987	1986	1985	1984	1983	1987	1986	1985	1984	1983
Hardware	3.7x	3.6x	3.2x	3.6x	3.4x	$1.63	$1.66	$1.41	$1.53	$1.47
Hand Tools	3.6	3.8	3.5	3.9	3.5	1.32	1.47	1.36	1.47	1.26
Power Tools & Accessories	3.3	3.4	3.8	3.2	3.5	.96	.93	1.14	.98	1.13
Plumbing, Heating & Cooling	4.4	4.4	4.6	4.5	4.0	1.89	1.98	1.98	1.85	1.65
Electrical Supplies	4.3	4.6	4.5	4.6	4.1	1.80	1.97	1.86	1.85	1.70
Paint & Home Decorating	4.4	4.5	4.6	4.2	5.3	1.77	1.80	1.79	1.57	2.04
Lumber	3.8	5.3	3.5	2.6	3.1	.99	.78	.99	.72	1.03
Building Materials	4.6	5.7	4.0	2.7	3.8	1.47	1.41	1.38	.89	1.39
Lawn & Garden	4.4	4.7	4.6	4.0	3.9	1.48	1.66	1.66	1.40	1.37
Housewares	3.1	3.5	3.6	3.0	2.9	1.05	1.23	1.25	1.03	.99
Automotive Supplies	4.0	3.1	3.9	4.4	4.1	1.42	1.09	1.39	1.50	1.33
Major Appliances & Home Entertainment	3.6	4.1	4.1	3.5	3.5	.75	.72	1.03	.88	.83
Sporting Goods & Outdoor Living	3.1	3.2	3.6	3.1	3.3	1.04	1.00	1.15	.96	1.10
Miscellaneous Goods	4.0	3.1	4.0	4.6	3.5	1.38	1.06	1.41	1.57	1.30

**Average Hardware store.

Monthly Sales

Month	1987	1986	1985	1984	1983
January	6.5	6.3	6.5	6.4	6.0
February	5.9	5.7	5.8	5.8	5.5
March	7.3	7.4	7.1	6.8	6.7
April	9.0	8.9	8.9	8.4	8.2
May	9.7	9.9	9.8	9.9	9.6
June	9.3	9.2	9.3	10.1	9.7
July	8.8	8.9	8.9	8.7	9.0
August	8.4	8.6	8.7	8.5	8.6
September	8.0	8.0	8.0	8.1	8.2
October	8.6	8.5	8.5	8.4	8.4
November	8.1	8.6	8.6	8.6	8.6
December	10.4	10.0	9.9	10.3	11.5

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

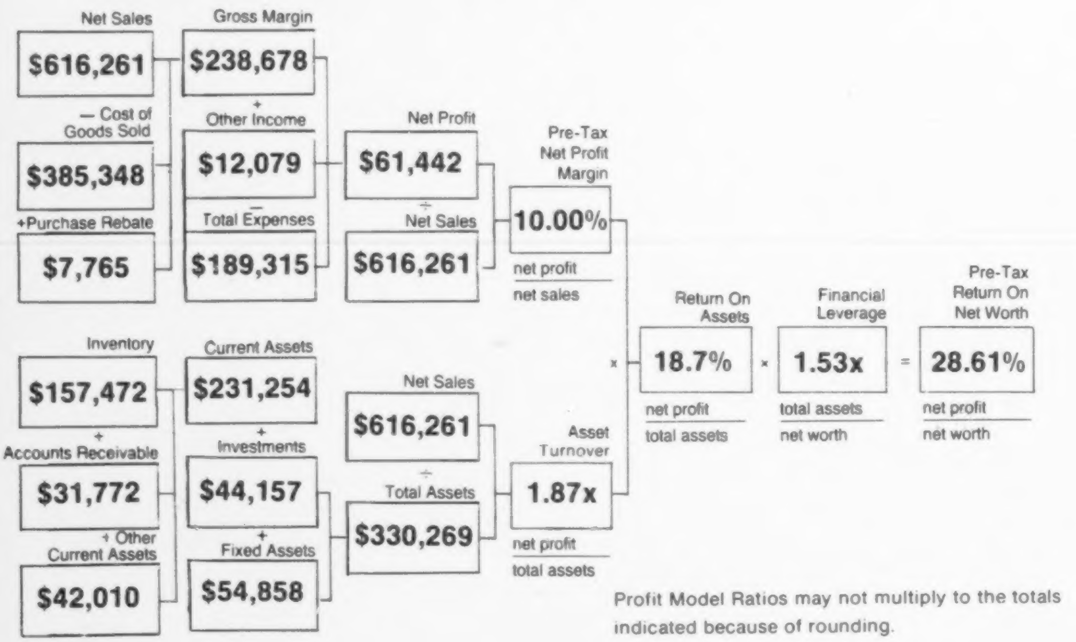
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores


Net Sales
$616,261
— Cost of Goods Sold
$385,348
+Purchase Rebate
$7,765
Gross Margin
$238,678
+
Other Income
$12,079
—
Total Expenses
$189,315
Net Profit
$61,442
÷
Net Sales
$616,261
Pre-Tax Net Profit Margin
10.00%
net profit
net sales
Inventory
$157,472
+
Accounts Receivable
$31,772
+ Other Current Assets
$42,010
Current Assets
$231,254
+
Investments
$44,157
+
Fixed Assets
$54,858
Net Sales
$616,261
÷
Total Assets
$330,269
Asset Turnover
1.87x
net profit
total assets
×
Return On Assets
18.7%
net profit
total assets
×
Financial Leverage
1.53x
total assets
net worth
=
Pre-Tax Return On Net Worth
28.61%
net profit
net worth

Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of Hardware Store	1987 Net Sales ($)	Sales Increase Over 1986* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Hardware Stores	776,627	+6.92	35.89	3.25	13.42	2.61
Low Profit	644,952	+2.71	34.49	-2.31	-12.92	2.18
High Profit	616,261	+8.59	38.74	9.98	28.54	2.48
Sales Volume Size						
Under $250,000	173,001	+2.61	37.16	2.07	5.47	1.66
$250,000 to $499,999	366,475	+5.60	36.75	3.02	10.35	2.06
$500,000 to $749,999	619,546	+10.13	36.24	3.52	15.28	2.33
$750,000 or more	1,442,217	+6.65	35.56	3.29	14.40	2.93
Sales Floor Size						
Under 3,000 Sq. Ft.	315,614	+9.16	37.29	5.72	16.58	2.48
3,000 to 4,999 Sq. Ft.	448,924	+8.86	36.09	4.53	16.93	2.46
5,000 to 9,999 Sq. Ft.	770,622	+7.59	36.34	3.39	13.86	2.63
10,000 Sq. Ft. or more	1,566,747	+5.08	35.67	2.58	11.58	2.74
Type of Ownership						
Proprietorship	317,794	+6.54	36.18	4.81	15.48	2.11
Partnership	444,824	+7.92	34.44	5.66	19.67	2.26
Corporation	914,893	+6.79	36.07	3.07	12.87	2.68
Age of Operation						
Less Than 3 Years Old	485,884	+15.48	37.10	2.45	17.11	2.14
More Than 3 Years Old	822,409	+6.40	35.88	3.29	13.56	2.76
Trade Area Size						
M.S.A.-Central City	990,956	+5.77	39.51	2.77	13.54	3.02
M.S.A.-Suburban	927,146	+9.19	38.10	2.80	9.17	2.44
Cities-10,000-50,000	896,943	+6.69	36.26	3.27	14.26	2.57
Rural Areas Under 10,000	652,103	+7.17	34.03	3.51	13.70	2.54
Store Location: Part I						
Downtown	653,527	+5.95	36.03	3.00	11.05	2.54
Suburban	913,405	+6.87	36.43	3.34	15.05	2.69
Rural	806,106	+7.39	32.41	3.99	16.62	2.93
Store Location: Part II						
Shopping Center — Neighborhood	705,980	+7.55	37.47	3.26	13.98	2.54
Shopping Center — Community or Regional	787,355	+9.01	37.65	3.87	18.38	2.63
Free-Standing — No Stores Adjacent	938,198	+4.91	34.79	3.78	14.54	2.87
Free-Standing — Stores Nearby	767,400	+7.10	36.14	3.21	13.25	2.67
Number of Stores						
Single Store Business	759,371	+6.72	36.20	3.28	13.21	2.56
Multiple Store Business	902,169	+8.21	34.02	3.07	14.98	2.92

Monthly Sales

	%		%		%
January	6.5	May	9.7	September	8.0
February	5.9	June	9.3	October	8.6
March	7.3	July	8.8	November	8.1
April	9.0	August	8.4	December	10.4

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	811	208	202
Net Sales Volume	$776,627	$644,952	$616,261
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 6.92%	+ 2.71%	+ 8.59
Gross Sales	101.61%	101.57%	101.60%
Less: Total Deductions	1.61	1.57	1.60
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.22	66.52	62.53
Margin Before Purchase Rebate or Patronage Dividend	34.78	33.48	37.47
Purchase Rebate or Patronage Dividend	1.11	1.01	1.26
Margin After Purchase Rebate or Patronage Dividend	35.89	34.49	38.74
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.38	4.73	4.50
Salaries/Wages — Other Employees	11.88	12.98	10.66
Federal and State Payroll Taxes	1.39	1.52	1.20
Group Insurance	.64	.76	.58
Benefit Plans	.55	.41	.54
Total Payroll and Other Employee Expense	18.84	20.40	17.48
Occupancy Expense			
Heat, Light, Power, Water	1.06	1.30	1.03
Building Repairs and Maintenance	.25	.23	.25
Rent or Ownership in Real Estate**	3.89	4.40	3.34
Total Occupancy Expense	5.19	5.92	4.62
Other Costs of Doing Business			
Office Supplies and Postage	.46	.53	.44
Advertising and Promotion	2.53	2.89	2.03
Donations	.06	.06	.07
Telephone and Telegraph	.33	.44	.28
Bad Debts	.16	.15	.12
Credit Card Expense (Bank Charges)	.19	.18	.14
Delivery Expenses (Other than Wages)	.36	.45	.37
Leasing Expenses (Non-Occupancy)	.13	.10	.08
Insurance (Other than Real Estate and Group)	.83	.98	.79
Taxes (Other than Real Estate and Payroll)	.56	.53	.44
Interest (Other than Real Estate)	1.38	2.09	1.01
Depreciation (Other than Real Estate)	.00	1.27	.97
Store and Shop Supplies	.52	.54	.47
Legal and Accounting	.51	.57	.46
Computer Services and Expenses (Other than Wages)	.13	.12	.05
Dues and Subscriptions	.09	.10	.08
Travel, Buying, Entertainment	.25	.28	.23
Miscellaneous Services (Laundry, Disposal, Etc.)	.13	.13	.10
Unclassified Expenses	.52	.64	.51
Total Other Costs of Doing Business	10.14	12.06	8.63
Total Operating Expenses	34.17	38.38	30.72
Operating Profit or Loss	1.72	-3.89	8.02
Other Income	1.53	1.57	1.96
Net Operating Profit or Loss (Before Income Taxes)	3.25	-2.31	9.98

* As reported to us by The Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	$381,712	$367,964	$330,268
	% of Total Assets		
Assets			
Cash On Hand and In Bank	6.59	2.87	9.95
Notes and Installment Contracts Receivable	1.26	1.45	1.00
Accounts Receivable	9.55	9.31	9.62
Merchandise Inventory (End of Year)	51.59	53.89	47.68
Other Current Assets	2.15	1.88	1.77
Total Current Assets	71.14	69.41	70.02
Stocks and Bonds	4.81	4.36	4.64
Real Estate (Not Used In Business)	.93	.86	1.12
Other Investments	7.82	7.51	7.60
Total Investments	13.56	12.72	13.37
Land (Owned and Used In Business)	1.94	2.73	2.46
Buildings (Owned and Used in Business Less Depreciation)	5.37	7.00	5.63
Leasehold Improvements (Less Amortization Allowance)	1.09	.97	.85
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.20	4.93	3.32
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.00	.99	1.19
Other Fixed Assets	1.70	1.25	3.17
Total Fixed Assets	15.29	17.87	16.61
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.37	12.96	7.84
Current Portion of Notes Payable	7.01	11.71	5.17
Accrued Payroll Taxes	.51	.47	.55
Accrued Other Taxes	1.27	1.15	1.33
Other Accrued Expenses	1.64	1.70	1.28
Other Current Liabilities	1.61	1.17	.79
Total Current Liabilities	23.42	29.15	16.97
Notes Due Partners/Officers	5.50	8.13	3.06
Mortgage Payable	4.51	7.03	2.73
Long Term Debt	14.49	19.82	10.83
Other Long Term Liabilities	2.82	4.47	1.19
Total Long Term Liabilities	27.32	39.46	17.81
Total Liabilities	50.73	68.61	34.77
Net Worth	49.27	31.39	65.23
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	13.42%	-12.92%	28.54%
Active Owner's Return	31.51%	13.52%	41.41%
Current Asset Ratio	3.04x	2.38x	4.13x
Quick Asset Ratio	.83x	.53x	1.31x
Total Debt to Tangible Net Worth	102.97%	218.62%	53.31%
Stock Turn Times	2.61x	2.18x	2.48x
Sales to Inventory Ratio	4.00x	3.28x	3.96x
Average Inventory per Sq. Ft. Sales Area	$28.09	$27.90	$27.98
Net Sales to Accounts Receivable	21.30x	18.83x	19.40x
Net Sales to Total Assets	2.03x	1.75x	1.87x
Net Sales to Net Worth	4.13x	5.58x	2.86x
Net Sales to Net Working Capital	2.93x	2.57x	2.70x
Other Operating Data			
Credit Sales — % of Total Gross Sales	30.23%	31.94%	30.67%
Consumer Sales — % of Total Gross Sales	74.62%	71.36%	74.05%
Selling Area — Square Feet	5,977	5,525	4,880
Sales Per Square Foot — Selling Area	$113.63	$93.90	$109.88
Total Area — Square Feet	8,802	8,141	7,030
Sales Per Square Foot — Total Area	$77.53	$64.41	$77.17
Sales Per Person Employed	$80,682	$73,009	$82,346
Sales Per Customer	$11.18	$10.97	$10.93

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Number of Stores	101	228	162	322
Net Sales Volume	$173,001	$366,475	$619,546	$1,442,217
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 2.61%	+ 5.60%	+10.13%	+ 6.65%
Gross Sales	101.63%	101.26%	101.61%	101.69%
Less: Total Deductions	1.63	1.26	1.61	1.69
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.99	64.53	64.96	65.49
Margin Before Purchase Rebate or Patronage Dividend	36.01	35.47	35.04	34.51
Purchase Rebate or Patronage Dividend	1.15	1.28	1.21	1.05
Margin After Purchase Rebate or Patronage Dividend	37.16	36.75	36.24	35.56
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.49	5.23	4.33	4.20
Salaries/Wages — Other Employees	10.24	10.54	11.51	12.34
Federal and State Payroll Taxes	1.19	1.29	1.34	1.43
Group Insurance	.58	.66	.57	.66
Benefit Plans	.14	.29	.27	.70
Total Payroll and Other Employee Expense	16.63	18.00	18.03	19.32
Occupancy Expense				
Heat, Light, Power, Water	1.88	1.35	1.24	.92
Building Repairs and Maintenance	.37	.26	.23	.24
Rent or Ownership in Real Estate**	5.38	4.41	3.95	3.67
Total Occupancy Expenses	7.62	6.01	5.43	4.84
Other Costs of Doing Business				
Office Supplies and Postage	.56	.54	.47	.44
Advertising and Promotion	2.42	2.58	2.47	2.54
Donations	.14	.08	.06	.06
Telephone and Telegraph	.55	.40	.36	.30
Bad Debts	.12	.14	.19	.16
Credit Card Expense (Bank Charges)	.15	.14	.16	.21
Delivery Expenses (Other than Wages)	.61	.46	.43	.31
Leasing Expenses (Non-Occupancy)	.13	.19	.11	.12
Insurance (Other than Real Estate and Group)	1.20	1.03	.98	.74
Taxes (Other than Real Estate and Payroll)	.82	.55	.53	.56
Interest (Other than Real Estate)	1.81	1.81	1.73	1.18
Depreciation (Other than Real Estate)	1.26	1.18	1.11	.91
Store and Shop Supplies	.59	.59	.60	.48
Legal and Accounting	.75	.60	.57	.46
Computer Services and Expenses (Other than Wages)	.04	.04	.09	.16
Dues and Subscriptions	.15	.12	.09	.08
Travel, Buying, Entertainment	.28	.27	.24	.25
Miscellaneous Services (Laundry, Disposal, etc.)	.25	.13	.09	.13
Unclassified Expenses	.75	.71	.40	.50
Total Other Costs of Doing Business	12.57	11.56	10.69	9.59
Total Operating Expenses	36.81	35.57	34.15	33.75
Operating Profit or Loss	.35	1.18	2.09	1.81
Other Income	1.73	1.84	1.43	1.48
Net Operating Profit or Loss (Before Income Taxes)	2.07	3.02	3.52	3.29

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	**Sales Under $250,000**	**$250,000 To $499,999**	**$500,000 To $749,999**	**Sales $750,000 Or More**
Total Dollar Assets	$131,993	$215,655	$318,630	$652,898
		% of Total Assets		
Assets				
Cash On Hand and In Bank	5.59	6.51	7.03	6.56
Notes and Installment Contracts Receivable	.58	.59	1.68	1.38
Accounts Receivable	6.51	7.19	8.94	10.62
Merchandise Inventory (End of Year)	51.17	52.94	55.67	50.11
Other Current Assets	3.46	1.42	1.60	2.41
Total Current Assets	67.31	68.65	74.92	71.08
Stocks and Bonds	3.80	4.93	4.95	4.82
Real Estate (Not Used in Business)	.50	3.47	.25	.43
Other Investments	5.52	6.06	5.56	9.13
Total Investments	9.81	14.46	10.76	14.38
Land (Owned and Used in Business)	3.36	3.02	2.10	1.48
Buildings (Owned and Used in Bus. Less Depre.)	12.66	5.83	4.63	4.89
Leasehold Improvements (Less Amortization Allowance)	.89	1.16	.95	1.12
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	4.42	4.70	4.29	4.02
Delivery Equipment (Owned and Used in Bus. Less Depre.)	.99	1.28	1.07	.91
Other Fixed Assets	.54	.90	1.29	2.12
Total Fixed Assets	22.88	16.89	14.32	14.54
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	6.31	8.17	9.21	13.25
Current Portion of Notes Payable	7.73	5.90	6.79	7.32
Accrued Payroll Taxes	.54	.55	.66	.47
Accrued Other Taxes	.83	.83	1.27	1.43
Other Accrued Expenses	1.12	.88	1.27	2.00
Other Current Liabilities	.96	.99	1.96	1.74
Total Current Liabilities	17.48	17.30	21.17	26.21
Notes Due Partners/Officers	3.47	7.39	6.51	4.84
Mortgage Payable	10.54	5.93	2.90	4.09
Long Term Debt	13.73	15.82	20.32	12.56
Other Long Term Liabilities	5.13	4.03	4.33	1.88
Total Long Term Liabilities	32.87	33.18	34.06	23.37
Total Liabilities	50.35	50.48	55.23	49.58
Net Worth	49.65	49.52	44.77	50.42
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	5.47%	10.35%	15.28%	14.40%
Active Owner's Return	17.31%	28.30%	34.10%	32.81%
Current Asset Ratio	3.85x	3.97x	3.54x	2.71x
Quick Asset Ratio	.92x	.90x	.91x	.80x
Total Debt to Tangible Net Worth	101.41%	101.94%	123.35%	98.34%
Stock Turn Times	1.66x	2.06x	2.33x	2.93x
Sales to Inventory Ratio	2.60x	3.19x	3.58x	4.48x
Average Inventory per Sq. Ft. Sales Area	$19.87	$23.99	$26.05	$31.56
Net Sales to Accounts Receivable	20.12x	23.63x	21.76x	20.80x
Net Sales to Total Assets	1.31x	1.70x	1.94x	2.21x
Net Sales to Net Worth	2.64x	3.43x	4.34x	4.38x
Net Sales to Net Working Capital	1.98x	2.51x	2.67x	3.19x

Other Operating Data

Credit Sales — % of Total Gross Sales	29.72%	28.48%	32.13%	30.13%
Consumer Sales — % of Total Gross Sales	78.33%	75.14%	72.85%	74.75%
Selling Area — Square Feet	2,763	4,147	5,577	8,971
Sales Per Square Foot — Selling Area	$52.13	$76.25	$95.10	$142.02
Total Area — Square Feet	3,865	6,012	8,072	13,450
Sales Per Square Foot — Total Area	$35.43	$52.01	$65.20	$96.00
Sales Per Person Employed	$51,662	$72,001	78,830	$85,578
Sales Per Customer	$7.81	$8.79	$9.94	$12.53

Figures may not add to totals indicated because of rounding.

Sales Floor Size

Income Statement Data	**Sales Area Under 3,000 Sq. Ft.**	**3,000 Sq. Ft. To 4,999 Sq. Ft.**	**5,000 Sq. Ft. To 9,999 Sq. Ft.**	**Sales Area 10,000 Sq. Ft. Or More**
Number of Stores	82	168	321	129
Net Sales Volume	$315,614	$448,924	$770,622	$1,566,747
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+9.16%	+8.86%	+7.59%	+5.08%
Gross Sales	101.72%	101.34%	101.64%	101.82%
Less: Total Deductions	1.72	1.34	1.64	1.82
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.82	64.75	64.87	65.31
Margin Before Purchase Rebate or Patronage Dividend	36.18	35.25	35.13	34.69
Purchase Rebate or Patronage Dividend	1.11	.84	1.20	.98
Margin After Purchase Rebate or Patronage Dividend	37.29	36.09	36.34	35.67
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	6.05	5.36	4.81	3.88
Salaries/Wages — Other Employees	9.76	10.35	11.76	12.41
Federal and State Payroll Taxes	1.31	1.32	1.36	1.44
Group Insurance	.70	.58	.65	.64
Benefit Plans	.35	.37	.51	.80
Total Payroll and Other Employee Expense	18.17	17.99	19.09	19.16
Occupancy Expense				
Heat, Light, Power, Water	1.06	1.00	1.09	1.03
Building Repairs and Maintenance	.28	.24	.24	.29
Rent or Ownership in Real Estate**	3.76	3.75	3.94	3.97
Total Occupancy Expense	5.10	4.99	5.27	5.28
Other Costs of Doing Business				
Office Supplies and Postage	.43	.54	.44	.51
Advertising and Promotion	1.88	2.12	2.47	2.85
Donations	.08	07	.07	.06
Telephone and Telegraph	.38	.39	.35	.28
Bad Debts	.08	.23	.17	.14
Credit Card Expense (Bank Charges)	.15	.16	.21	.20
Delivery Expenses (Other than Wages)	.46	.46	.34	.25
Leasing Expenses (Non-Occupancy)	.08	.10	.11	.18
Insurance (Other than Real Estate and Group)	1.09	.99	.85	.70
Taxes (Other than Real Estate and Payroll)	.66	.46	.50	.73
Interest (Other than Real Estate)	.92	1.38	1.35	1.26
Depreciation (Other than Real Estate)	1.22	1.10	1.04	.79
Store and Shop Supplies	.50	.50	.56	.46
Legal and Accounting	.58	.50	.51	.47
Computer Services and Expenses (Other than Wages)	.07	.12	.13	.16
Dues and Subscriptions	.09	.10	.10	.08
Travel, Buying, Entertainment	.22	.25	.26	.26
Miscellaneous Services (Laundry, Disposal, Etc.)	.09	.13	.08	.19
Unclassified Expenses	.54	.69	.53	.54
Total Other Costs of Doing Business	9.52	10.27	10.06	10.12
Total Operating Expenses	32.79	33.25	34.42	34.56
Operating Profit or Loss	4.51	2.84	1.92	1.11
Other Income	1.21	1.69	1.48	1.47
Net Operating Profit or Loss (Before Income Taxes)	5.72	4.53	3.39	2.58

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**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$171,148	$227,952	$367,407	$743,814
		% of Total Assets		
Assets				
Cash On Hand and In Bank	8.00	8.00	6.96	5.17
Notes and Installment Contracts Receivable	.46	.98	1.44	1.29
Accounts Receivable	10.17	10.99	9.48	9.03
Merchandise Inventory (End of Year)	48.74	52.03	52.42	50.92
Other Current Assets	3.78	1.74	1.70	2.56
Total Current Assets	71.15	73.73	71.99	68.98
Stocks and Bonds	4.13	3.97	5.18	4.89
Real Estate (Not Used in Business)	.74	1.32	1.43	.43
Other Investments	6.29	6.22	6.33	9.29
Total Investments	11.16	11.51	12.94	14.61
Land (Owned and Used in Business)	4.37	1.14	2.13	1.66
Buildings (Owned and Used in Bus. Less Depre.)	5.44	5.16	4.66	6.69
Leasehold Improvements (Less Amortization Depreciation)	.97	1.23	1.08	1.23
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depre.)	3.84	4.28	4.51	3.90
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.33	1.17	.96	.94
Other Fixed Assets	1.74	1.79	1.72	1.99
Total Fixed Assets	17.69	14.76	15.07	16.41
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	8.14	9.92	11.03	13.56
Current Portion of Notes Payable	7.96	5.88	6.58	7.29
Accrued Payroll Taxes	.61	.67	.53	.49
Accrued Other Taxes	.87	1.00	1.13	1.51
Other Accrued Expenses	1.13	1.05	1.07	2.13
Other Current Liabilities	.74	1.51	1.54	1.93
Total Current Liabilities	19.46	20.03	21.88	26.91
Notes Due Partners/Officers	2.23	4.99	5.46	4.76
Mortgage Payable	5.42	5.32	2.71	6.18
Long Term Debt	6.48	13.46	15.00	13.57
Other Long Term Liabilities	2.82	3.53	3.60	1.55
Total Long Term Liabilities	16.95	27.30	26.77	26.06
Total Liabilities	36.40	47.33	48.64	52.97
Net Worth	63.60	52.67	51.36	47.03
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	16.58%	16.93%	13.86%	11.58%
Active Owner's Return	34.12%	36.98%	33.52%	28.94%
Current Asset Ratio	3.66x	3.68x	3.29x	2.56x
Quick Asset Ratio	1.15x	1.07x	.89	.67x
Total Debt to Tangible Net Worth	57.24%	89.87%	94.71%	112.63%
Stock Turn Times	2.48x	2.46x	2.63x	2.74x
Sales to Inventory Ratio	3.88x	3.79x	4.06x	4.19x
Average Inventory per Sq. Ft. Sales Area	$36.86	$30.97	$27.47	$26.87
Net Sales to Accounts Receivable	18.14x	17.92x	22.13x	23.31x
Net Sales to Total Assets	1.84x	1.97x	2.10x	2.11x
Net Sales to Net Worth	2.90x	3.74x	4.08x	4.48x
Net Sales to Net Working Capital	2.62x	2.73x	2.98x	3.14x
Other Operating Data				
Credit Sales — % of Total Gross Sales	34.30%	29.98%	30.02%	28.79%
Consumer Sales — % of Total Gross Sales	69.88%	74.93%	73.05%	76.71%
Selling Area — Square Feet	2,187	3,850	6,864	14,090
Sales Per Square Foot — Selling Area	$144.30	$116.61	$112.26	$111.20
Total Area — Square Feet	3,595	6,039	10,011	19,854
Sales Per Square Foot — Total Area	$83.54	$73.92	$75.79	$78.91
Sales Per Person Employed	$72,106	$80,461	$78,633	$84,098
Sales Per Customer	$8.62	$11.53	$9.87	$13.44

Figures may not add to totals indicated because of rounding.

Type of Ownership

Income Statement Data	**Sole Proprietorship**	**Partnership**	**Corporation**
Number of Stores	120	42	581
Net Sales Volume	$317,794	$444,824	$914,893
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+6.54%	+7.92%	+6.79%
Gross Sales	101.39%	101.47%	101.69%
Less: Total Deductions	1.39	1.47	1.69
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.95	66.82	64.99
Margin Before Purchase Rebate or Patronage Dividend	35.05	33.18	35.01
Purchase Rebate or Patronage Dividend	1.13	1.27	1.06
Margin After Purchase Rebate or Patronage Dividend	36.18	34.44	36.07
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.68	3.08	4.62
Salaries/Wages — Other Employees	10.59	9.05	12.07
Federal and State Payroll Taxes	.95	.92	1.44
Group Insurance	.41	.27	.67
Benefit Plans	.14	.18	.61
Total Payroll and Other Employee Expense	14.77	13.50	19.41
Occupancy Expense			
Heat, Light, Power, Water	1.47	1.44	1.01
Building Repairs and Maintenance	.40	.29	.24
Rent or Ownership in Real Estate**	4.67	3.11	3.85
Total Occupancy Expense	6.54	4.82	5.10
Other Costs of Doing Business			
Advertising and Promotion	2.72	2.75	2.53
Insurance (Other than Real Estate or Group)	.98	1.07	.81
Taxes (Other than Real Estate and Payroll)	.44	.69	.53
Interest (Other than Real Estate)	1.98	1.81	1.29
Depreciation (Other than Real Estate)	1.28	1.34	.96
All Other Expenses	4.72	4.26	3.78
Total Other Costs of Doing Business	12.14	11.91	9.95
Total Operating Expense	33.46	30.23	34.46
Operating Profit or Loss	2.72	4.21	1.61
Other Income	2.08	1.45	1.46
Net Operating Profit or Loss (Before Income Taxes)	4.81	5.66	3.07
Financial Performance			
Profit on Investment	15.48%	19.67%	12.87%
Active Owner's Return	24.11%	30.37%	32.25%
Current Asset Ratio	3.55x	4.21x	2.93x
Quick Asset Ratio	.70x	1.01x	.83x
Total Debt to Tangible Net Worth	109.78%	100.81%	99.10%
Stock Turn Times	2.11x	2.26x	2.68x
Sales to Inventory Ratio	3.25x	3.38x	4.13x
Average Inventory per Sq. Ft. Sales Area	$22.20	$25.28	$28.86
Net Sales to Accounts Receivable	25.83x	21.82x	21.41x
Net Sales to Total Assets	1.53x	1.73x	2.10x
Net Sales to Net Worth	3.22x	3.48x	4.19x
Net Sales to Net Working Capital	2.61x	2.62x	2.99x
Other Operating Data			
Credit Sales — % of Total Gross Sales	25.00%	25.80%	30.66%
Consumer Sales — % of Total Gross Sales	76.14%	77.91%	74.45%
Selling Area — Square Feet	4,243	4,399	7,092
Sales Per Square Foot — Selling Area	$73.30	$85.26	$119.64
Total Area — Square Feet	6,086	6,352	10,494
Sales Per Square Foot — Total Area	$50.14	$58.44	$81.43
Sales Per Person Employed	$67,881	$75,123	$82,359
Sales Per Customer	$7.32	$7.65	$11.72

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**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	102	49	204	439
Net Sales Volume	$990,956	$927,146	$896.943	$652,103
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 5.77%	+ 9.19%	+ 6.69%	+ 7.17%
Gross Sales	102.20%	102.58%	101.57%	101.33%
Less: Total Deductions	2.20	2.58	1.57	1.33
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	61.35	63.18	64.90	67.10
Margin Before Purchase Rebate or Patronage Dividend	38.65	36.82	35.10	32.90
Purchase Rebate or Patronage Dividend	.86	1.28	1.17	1.13
Margin After Purchase Rebate or Patronage Dividend	39.51	38.10	36.26	34.03
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.45	4.80	4.10	4.19
Salaries/Wages — Other Employees	13.40	13.26	12.52	10.66
Federal and State Payroll Taxes	1.53	1.63	1.37	1.32
Group Insurance	.71	.68	.65	.62
Benefit Plans	1.03	.52	.59	.35
Total Payroll and Other Employee Expense	22.13	20.90	19.23	17.14
Occupancy Expense				
Heat, Light, Power, Water	.99	1.11	1.12	1.03
Building Repairs and Maintenance	.31	.19	.27	.22
Rent or Ownership in Real Estate**	4.54	3.74	4.08	3.53
Total Occupancy Expense	5.85	5.03	5.47	4.79
Other Costs of Doing Business				
Advertising and Promotion	2.51	2.88	2.69	2.37
Insurance — Other than Real Estate or Group	.92	.77	.79	.84
Taxes — Other than Real Estate or Payroll	.55	1.45	.51	.45
Interest — Other than Real Estate	1.13	1.08	1.35	1.52
Depreciation — Other than Real Estate	1.04	.96	.94	1.00
All Other Expenses	4.20	3.36	3.79	3.82
Total Other Costs of Doing Business	10.35	10.52	10.07	10.02
Total Operating Expenses	38.32	36.45	34.77	31.95
Operating Profit or Loss	1.19	1.65	1.49	2.09
Other Income	1.58	1.14	1.78	1.42
Net Operating Profit or Loss (Before Income Taxes)	2.77	2.80	3.27	3.51
Financial Performance				
Profit on Investment	13.54%	9.17%	14.26%	13.70%
Active Owner's Return	40.19%	24.91%	32.16%	30.06%
Current Asset Ratio	2.37x	4.22x	2.58x	3.52x
Quick Asset Ratio	.72x	1.12x	.68x	.96x
Total Debt to Tangible Net Worth	109.94%	62.14%	119.55%	97.93%
Stock Turn Times	3.02x	2.44x	2.57x	2.54x
Sales to Inventory Ratio	4.92x	3.87x	3.96x	3.79x
Average Inventory per Sq. Ft. Sales Area	$27.81	$27.72	$28.91	$27.67
Net Sales to Accounts Receivable	20.25x	23.71x	22.83x	20.77x
Net Sales to Total Assets	2.33x	2.02x	1.99x	1.97x
Net Sales to Net Worth	4.89x	3.28x	4.36x	3.90x
Net Sales to Net Working Capital	3.43x	2.85x	2.96x	2.78x
Other Operating Data				
Credit Sales — % of Total Gross Sales	27.60%	32.20%	26.16%	32.75%
Consumer Sales — % of Total Gross Sales	72.36%	72.41%	75.21%	75.21%
Selling Area — Square Feet	6,775	6,406	7,132	5,317
Sales Per Square Foot — Selling Area	$134.29	$113.32	$115.98	$106.09
Total Area — Square Feet	9,644	8,842	10,581	7,932
Sales Per Square Foot — Total Area	$97.93	$81.40	$78.13	$70.98
Sales Per Person Employed	$77,072	$74,921	$82,955	$81,330
Sales Per Customer	$10.34	$10.13	$10.71	$12.47

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†Metropolitan Statistical Area.

Figures may not add to totals indicated because of rounding.

Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	317	321	62
Net Sales Volume	$653,527	$913,405	$806,106
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 5.95%	+ 6.87%	+ 7.39%
Gross Sales	102.25%	101.35%	100.97%
Less: Total Deductions	2.25%	1.35%	.97%
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.97	64.70	68.21
Margin Before Purchase Rebate or Patronage Dividend	35.03	35.30	31.79
Purchase Rebate or Patronage Dividend	1.00	1.13	.62
Margin After Purchase Rebate or Patronage Dividend	36.03	36.43	32.41
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.83	4.26	4.97
Salaries/Wages — Other Employees	11.90	11.93	9.30
Federal and State Payroll Taxes	1.37	1.41	1.29
Group Insurance	.72	.56	.60
Benefit Plans	.64	.56	.53
Total Payroll and Other Employee Expense	19.46	18.72	16.69
Occupancy Expenses			
Heat, Light, Power, Water	1.07	1.08	.80
Building Repairs and Maintenance	.29	.25	.22
Rent or Ownership in Real Estate**	3.73	4.16	3.00
Total Occupancy Expense	5.09	5.49	4.03
Other Costs of Doing Business			
Advertising and Promotion	2.42	2.64	2.26
Insurance (Other than Real Estate and Group)	.94	.76	.74
Taxes (Other than Real Estate and Payroll)	.47	.72	.44
Interest (Other than Real Estate)	1.33	1.37	1.13
Depreciation (Other than Real Estate)	.95	.97	1.19
All Other Expenses	4.08	3.77	3.68
Total Other Costs of Doing Business	10.20	10.23	9.45
Total Operating Expenses	34.75	34.44	30.17
Operating Profit or Loss	1.28	1.99	2.24
Other Income	1.72	1.35	1.74
Net Operating Profit or Loss (Before Income Taxes)	3.00	3.34	3.99
Financial Performance			
Profit on Investment	11.05%	15.05%	16.62%
Active Owner's Return	28.82%	34.24%	37.35%
Current Asset Ratio	3.18x	2.87x	2.99x
Quick Asset Ratio	.92x	.75x	.93x
Total Debt to Tangible Net Worth	85.63%	112.06%	103.59%
Stock Turn Times	2.54x	2.69x	2.93x
Sales to Inventory Ratio	3.91x	4.16x	4.29x
Average Inventory per Sq. Ft. Sales Area	$27.85	$27.65	$28.97
Net Sales to Accounts Receivable	18.34x	23.61x	26.26x
Net Sales to Total Assets	1.98x	2.12x	2.05x
Net Sales to Net Worth	3.68x	4.51x	4.17x
Net Sales to Net Working Capital	3.80x	3.12x	3.08x
Other Operating Data			
Credit Sales — % of Total Gross Sales	36.27%	24.78%	28.92%
Consumer Sales — % of Total Gross Sales	75.91%	74.30%	73.93%
Selling Area — Square Feet	5,688	7,892	5,936
Sales Per Square Foot — Selling Area	$108.27	$113.73	$123.75
Total Area — Square Feet	9,102	10,932	8,666
Sales Per Square Foot — Total Area	$68.79	$81.99	$84.37
Sales Per Person Employed	$79,692	$79,723	$94,634
Sales Per Customer	$12.08	$10.34	$13.50

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Store Location: Part II

	Shopping Center		Free-Standing	
Income Statement Data	Neighborhood	Community or Regional	No Stores Adjacent	Stores Nearby
Number of Stores	120	79	134	346
Net Sales Volume	$705,980	$787,355	$938,198	$767,400
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 7.55%	+ 9.01%	+ 4.91%	+ 7.10%
Gross Sales	101.41%	101.56%	101.41%	101.92%
Less: Total Deductions	1.41	1.56	1.41	1.92
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.95	63.54	66.21	64.82
Margin Before Purchase Rebate or Patronage Dividend	36.05	36.46	33.79	35.18
Purchase Rebate or Patronage Dividend	1.42	1.20	1.00	.96
Margin After Purchase Rebate or Patronage Dividend	37.47	37.65	34.79	36.14
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	4.61	4.03	4.56	4.68
Salaries/Wages — Other Employees	11.91	12.34	10.86	12.02
Federal and State Payroll Taxes	1.30	1.40	1.31	1.46
Group Insurance	.53	.55	.68	.67
Benefit Plans	.60	.36	.84	.55
Total Payroll and Other Employee Expense	19.03	18.67	18.25	19.39
Occupancy Expense				
Heat, Light, Power, Water	1.20	1.16	.92	1.05
Building Repairs and Maintenance	.22	.30	.28	.25
Rent or Ownership in Real Estate**	4.60	5.21	3.20	3.71
Total Occupancy Expense	6.02	6.68	4.39	5.02
Other Costs of Doing Business				
Advertising and Promotion	2.76	2.83	2.37	2.45
Insurance (Other than Real Estate or Group)	.89	.64	.80	.85
Taxes (Other than Real Estate and Payroll)	.57	.48	.55	.67
Interest (Other than Real Estate)	1.38	1.45	1.26	1.27
Depreciation (Other than Real Estate)	1.07	1.00	1.05	.90
All Other Expenses	3.74	3.88	3.83	3.93
Total Other Costs of Doing Business	10.42	10.27	9.85	10.07
Total Operating Expenses	35.47	35.62	32.49	34.47
Operating Profit or Loss	2.00	2.03	2.30	1.67
Other Income	1.26	1.84	1.49	1.54
Net Operating Profit or Loss (Before Income Taxes)	3.26	3.87	3.78	3.21
Financial Performance				
Profit on Investment	13.98%	18.38%	14.54%	13.25%
Active Owner's Return	33.78x	37.50x	32.06x	32.55x
Current Asset Ratio	3.28x	2.85x	3.04x	3.11x
Quick Asset Ratio	.79x	.76x	.92x	.88x
Total Debt to Tangible Net Worth	95.69%	118.38%	91.92%	97.99%
Stock Turn Times	2.54x	2.63x	2.87x	2.67x
Sales to Inventory Ratio	3.98x	4.14x	4.34x	4.11x
Average Inventory per Sq. Ft. Sales Area	$25.77	$25.75	$27.72	$29.53
Net Sales to Accounts Receivable	27.29x	27.33x	20.70x	20.90x
Net Sales to Total Assets	2.19x	2.17x	2.00x	2.08x
Net Sales to Net Worth	4.29x	4.75x	3.84x	4.12x
Net Sales to Net Working Capital	3.09x	3.12x	3.05x	2.96x
Other Operating Data				
Credit Sales — % of Total Gross Sales	20.87%	25.26%	28.24%	34.40%
Consumer Sales — % of Total Gross Sales	78.47%	80.16%	70.71%	73.42%
Selling Area — Square Feet	6,684	7,199	7,769	6,201
Sales Per Square Foot — Selling Area	$101.76	$107.74	$116.71	$120.33
Total Area — Square Feet	8,510	10,103	11,755	9,461
Sales Per Square Foot — Total Area	$79.93	$76.36	$79.73	$78.00
Sales Per Person Employed	$76,135	$78,761	$85,777	$80,591
Sales Per Customer	$7.22	$10.61	$14.04	$12.04

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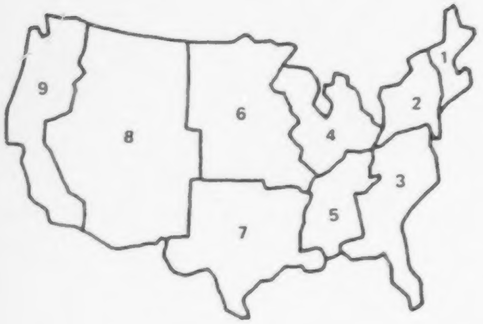
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

Income Statement Data	**1 New England**
Number of Stores	73
Net Sales Volume	$675,813
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+10.65%
Gross Sales	101.42%
Less: Total Deductions	1.42
Net Sales	100.00%
Cost of Goods Sold	64.88
Margin Before Purchase Rebate or Patronage Dividend	35.12
Purchase Rebate or Patronage Dividend	1.01
Margin After Purchase Rebate or Patronage Dividend	36.13
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	5.69
Salaries/Wages — Other Employees	10.89
Federal and State Payroll Taxes	1.39
Group Insurance	.73
Benefit Plans	.43
Total Payroll and Other Employee Expense	19.13
Occupancy Expense	
Heat, Light, Power, Water	.76
Building Repairs and Maintenance	.23
Rent or Ownership in Real Estate**	3.70
Total Occupancy Expense	4.70
Total Costs of Doing Business	
Advertising and Promotion	1.80
Insurance (Other than Real Estate and Group)	1.06
Taxes (Other than Real Estate and Payroll)	.32
Interest (Other than Real Estate)	1.09
Depreciation (Other than Real Estate)	1.20
All Other Expenses	3.52
Total Other Costs of Doing Business	8.98
Total Operating Expense	32.81
Operating Profit or Loss	3.32
Other Income	1.41
Net Operating Profit or Loss (Before Income Taxes)	4.73
Financial Performance	
Profit on Investment	18.36%
Active Owner's Return	40.43%
Current Asset Ratio	3.50x
Quick Asset Ratio	1.26x
Total Debt to Tangible Net Worth	73.69%
Stock Turn Times	2.81x
Sales to Inventory Ratio	4.34x
Average Inventory Per Sq. Ft. Sales Area	$39.49
Net Sales to Accounts Receivable	17.54x
Net Sales to Total Assets	2.23x
Net Sales to Net Worth	3.88x
Net Sales to Net Working Capital	2.80x
Other Operating Data	
Credit Sales — % of Total Gross Sales	39.74%
Consumer Sales — % of Total Gross Sales	72.71%
Selling Area — Square Feet	3,007
Sales Per Square Foot — Selling Area	$165.96
Total Area — Square Feet	5,348
Sales Per Square Foot — Total Area	$100.41
Sales Per Person Employed	$99,381
Sales Per Customer	$12.31

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
66	93	294	31	81	51	47	71
$814,497	$892,485	$782,018	$654,964	$626,512	$667,873	$947,988	$802,530
5.33%	9.43%	5.82%	2.76%	6.50%	2.32%	5.22%	11.37%
100.64%	101.40%	102.34%	100.75%	101.05%	101.46%	101.12%	101.54%
.64	1.40	2.34	.75	1.05	1.46	1.12	1.54
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64.49	63.26	66.47	64.68	66.09	63.53	67.23	62.65
35.51	36.74	33.53	35.32	33.91	36.47	32.77	37.35
.63	.76	1.61	.66	1.02	.87	.76	.82
36.14	37.50	35.14	35.99	34.93	37.34	33.52	38.17
5.03	5.06	4.02	3.54	4.29	4.51	3.75	4.08
11.48	12.07	11.55	13.77	11.64	12.80	12.33	12.63
1.33	1.31	1.41	.70	1.32	1.38	1.37	1.79
.52	.72	.68	.44	.61	.75	.52	.59
1.14	.61	.42	.48	.50	.37	.25	.84
19.50	19.76	18.08	18.92	18.36	19.81	18.22	19.93
1.01	.99	1.17	1.17	1.18	1.17	.89	.96
.25	.36	.23	.15	.19	.32	.21	.26
2.86	4.15	4.09	3.28	3.54	4.00	3.47	4.57
4.12	5.50	5.48	4.62	4.91	5.49	4.57	5.79
2.37	1.93	2.92	2.32	2.98	1.97	2.31	2.82
1.03	.75	.76	1.16	.71	.99	.74	.87
.50	.58	.38	1.17	.54	2.14	.42	.47
1.15	1.13	1.58	1.26	1.40	1.62	1.32	1.48
1.15	.92	.94	.94	.85	1.19	1.17	.85
3.87	4.23	3.66	3.42	3.56	3.85	4.22	4.36
10.07	9.55	10.24	10.27	10.03	11.76	10.18	10.86
33.68	34.81	33.81	33.81	33.30	37.06	32.97	36.58
2.46	2.69	1.33	2.18	1.63	.28	.55	1.58
1.46	1.90	1.29	2.10	1.35	2.00	2.15	1.37
3.92	4.59	2.62	4.28	2.98	2.28	2.71	2.95
16.38%	18.90%	11.83%	15.67%	10.52%	6.48%	11.47%	14.42%
37.40%	39.75%	29.97%	28.62%	25.65%	19.31%	27.36%	34.38
2.52x	3.21x	2.93x	3.57x	2.84x	5.22x	3.01x	2.64x
.88x	.87x	.65x	1.26x	.84x	1.22x	1.00x	.71x
101.91%	87.66%	131.66%	83.31%	94.30%	68.08%	102.87%	102.81%
3.10x	2.84x	2.42x	2.50x	2.44x	2.09x	2.93x	2.82x
4.81x	4.48x	3.65x	3.87x	3.70x	3.30x	4.36x	4.51x
$29.90	$28.91	$28.44	$24.87	$23.52	$25.20	$30.06	$25.86
22.08x	23.28x	24.33x	12.46x	17.28x	20.84x	19.14x	22.30x
2.07x	2.19x	1.95x	2.00x	1.82x	1.69x	2.09x	2.41x
4.18x	4.12x	4.51x	3.66x	3.53x	2.84x	4.24x	4.89x
3.19x	3.25x	2.82x	2.58x	2.62x	2.54x	3.02x	3.48x
29.24%	36.09%	27.99%	38.28%	16.07%	29.91%	33.72%	23.54%
70.98%	69.93%	79.13%	67.49%	74.14%	69.90%	73.12%	76.93%
5,540	6,701	5,780	5,692	6,977	7,760	6,667	6,625
$137.53	$125.70	$109.88	$100.51	$87.71	$81.17	$129.62	$119.04
8,240	9,995	8,800	8,155	10,136	10,221	9,487	8,717
$89.07	$85.03	$72.71	$70.15	$59.92	$61.62	$91.09	$90.47
$84,135	$76,112	$79,311	$79,314	$72,101	$72,972	$96,210	$79,239
$14.06	$10.48	$11.64	$18.13	$9.03	$12.08	$11.83	$9.63

Number Of Stores

Income Statement Data	**Single Store Business**	**Multiple Store Business**
Number of Stores	713	98
Net Sales Volume	$759,371	$902,169
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 6.72%	+ 8.21%
Gross Sales	101.67%	101.27%
Less: Total Deductions	1.67	1.27
Net Sales	100.00%	100.00%
Cost of Goods Sold	64.92	67.04
Margin Before Purchase Rebate or Patronage Dividend	35.08	32.96
Purchase Rebate or Patronage Dividend	1.12	1.05
Margin After Purchase Rebate or Patronage Dividend	36.20	34.02
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	4.58	3.14
Salaries/Wages — Other Employees	11.81	12.29
Federal and State Payroll Taxes	1.41	1.24
Group Insurance	.66	.53
Benefit Plans	.55	.55
Total Payroll and Other Employee Expense	19.02	17.75
Occupancy Expense		
Heat, Light, Power, Water	1.08	.95
Building Repairs and Maintenance	.24	.26
Rent or Ownership in Real Estate**	3.87	3.93
Total Occupancy Expense	5.19	5.15
Other Costs of Doing Business		
Advertising and Promotion	2.55	2.39
Insurance (Other than Real Estate and Group)	.87	.59
Taxes (Other than Real Estate and Payroll)	.58	.42
Interest (Other than Real Estate)	1.41	1.17
Depreciation (Other than Real Estate)	1.00	.97
All Other Expenses	3.86	3.73
Total Other Costs of Doing Business	10.28	9.28
Total Operating Expenses	34.50	32.18
Operating Profit or Loss	1.70	1.84
Other Income	1.58	1.23
Net Operating Profit or Loss (Before Income Taxes)	3.28	3.07
Financial Performance		
Profit on Investment	13.21%	14.98%
Active Owner's Return	31.66%	30.33%
Current Asset Ratio	3.08x	2.78x
Quick Asset Ratio	.85x	.73x
Total Debt to Tangible Net Worth	101.86%	111.16%
Stock Turn Times	2.56x	2.92x
Sales to Inventory Ratio	3.94x	4.35x
Average Inventory per Sq. Ft. Sales Area	$28.15	$27.30
Net Sales to Accounts Receivable	21.18x	22.07x
Net Sales to Total Assets	2.00x	2.31x
Net Sales to Net Worth	4.03x	4.88x
Net Sales to Net Working Capital	2.88x	3.21x
Other Operating Data		
Credit Sales — % of Total Gross Sales	30.10%	31.18%
Consumer Sales — % of Total Gross Sales	74.40%	76.01%
Selling Area — Square Feet	5,866	6,786
Sales Per Square Foot — Selling Area	$112.93	$118.00
Total Area — Square Feet	8,685	9,657
Sales Per Square Foot — Total Area	$76.70	$82.93
Sales Per Person Employed	$80,542	$81,534
Sales Per Customer	$10.76	$13.90

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Age of Operation

Income Statement Data	**Less Than 3 Years Old**	**More Than 3 Years Old**
Number of Stores	48	573
Net Sales Volume	$485,884	$822,409
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+15.48%	+ 6.40%
Gross Sales	101.43%	101.65%
Less: Total Deductions	1.43	1.65
Net Sales	100.00%	100.00%
Cost of Goods Sold	64.20	65.10
Margin Before Purchase Rebate or Patronage Dividend	35.80	34.90
Purchase Rebate or Patronage Dividend	1.31	.98
Margin After Purchase Rebate or Patronage Dividend	37.10	35.88
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	4.03	4.54
Salaries/Wages — Other Employees	10.09	11.77
Federal and State Payroll Taxes	1.36	1.39
Group Insurance	.41	.62
Benefit Plans	.37	.62
Total Payroll and Other Employee Expense	16.26	18.93
Occupancy Expense		
Heat, Light, Power, Water	1.38	1.03
Building Repairs and Maintenance	.42	.25
Rent or Ownership in Real Estate**	5.01	3.84
Total Occupancy Expense	6.81	5.12
Other Costs of Doing Business		
Advertising and Promotion	2.88	2.49
Insurance (Other than Real Estate and Group)	.76	.83
Taxes (Other than Real Estate and Payroll)	.61	.53
Interest (Other than Real Estate)	2.53	1.29
Depreciation (Other than Real Estate)	1.82	.96
All Other Expenses	4.79	3.92
Total Other Costs of Doing Business	13.39	10.02
Total Operating Expenses	36.44	34.08
Operating Profit or Loss	.66	1.80
Other Income	1.79	1.49
Net Operating Profit or Loss (Before Income Taxes)	2.45	3.29
Financial Performance		
Profit on Investment	17.11%	13.56%
Active Owner's Return	45.28%	32.26%
Current Asset Ratio	2.84x	2.94x
Quick Asset Ratio	.52x	.84x
Total Debt to Tangible Net Worth	290.33%	96.19%
Stock Turn Times	2.14x	2.76x
Sales to Inventory Ratio	3.33x	4.23x
Average Inventory per Sq. Ft. Sales Area	$26.46	$27.26
Net Sales to Accounts Receivable	29.42x	21.46x
Net Sales to Total Assets	1.79x	2.10x
Net Sales to Net Worth	6.99x	4.12x
Net Sales to Net Working Capital	2.74x	3.07x
Other Operating Data		
Credit Sales — % of Total Gross Sales	26.50%	30.04%
Consumer Sales — % of Total Gross Sales	76.09%	73.88%
Selling Area — Square Feet	5,642	6,897
Sales Per Square Foot — Selling Area	$86.12	$114.71
Total Area — Square Feet	6,997	10,269
Sales Per Square Foot — Total Area	$69.44	$77.62
Sales Per Person Employed	$75,374	$81,206
Sales Per Customer	$7.17	$11.51

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Departmental Sales

The Departmental Sales section of The Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department.

To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Management Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Management Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand Tools, Paint & Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{50.0}$	= 30.0%
Hand Tools	$\frac{10.0}{50.0}$	= 20.0%
Paint & Home Decorating	$\frac{20.0}{50.0}$	= 40.0%
Automotive Supplies	$\frac{5.0}{50.0}$	= 10.0%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint & Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page, examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost). Lawn and Garden's GMROI, for example, is 1.66 which means $1.66 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditionally low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only					Average Store Profile		
	% Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	% of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	14.6	14.1	15.5	112.89	14.5	14.1	15.4
Hand Tools	100.0	5.7	6.1	6.6	110.72	5.4	5.9	6.4
Power Tools & Accessories	100.0	4.2	3.7	5.4	143.52	3.9	3.5	5.1
Plumbing, Heating & Cooling	100.0	12.1	12.2	11.6	120.02	11.9	12.1	11.4
Electrical Supplies	100.0	9.1	8.5	9.1	127.69	8.9	8.5	9.1
Paint & Home Decorating	96.4	11.8	11.8	11.0	114.33	11.5	11.6	10.9
Lumber	18.3	2.9	3.0	3.2	88.81	.5	.6	.5
Building Materials	28.6	4.3	4.4	3.9	119.59	1.2	1.2	1.2
Lawn & Garden	96.4	13.8	13.8	12.7	118.95	13.4	13.5	12.5
Housewares	87.9	9.5	12.3	10.2	79.30	8.6	11.1	9.4
Automotive Supplies	80.0	3.4	4.0	3.6	104.83	2.8	3.3	3.1
Major Appliances & Home Entertainment	23.9	13.3	9.2	11.1	135.49	4.1	2.3	2.8
Sporting Goods & Outdoor Living	66.1	5.0	5.2	4.9	94.99	3.5	3.6	3.4
Miscellaneous Goods	77.4	11.8	11.3	11.4	124.29	9.9	8.8	8.9
						100.0	100.0	100.0

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	44.4	3.7	1.63
Hand Tools	36.7	3.6	1.32
Power Tools & Accessories	28.9	3.3	.96
Plumbing, Heating & Cooling	43.1	4.4	1.89
Electrical Supplies	41.8	4.3	1.80
Paint & Home Decorating	40.3	4.4	1.77
Lumber	26.4	3.8	.99
Building Materials	31.8	4.6	1.47
Lawn & Garden	33.8	4.4	1.48
Housewares	33.5	3.1	1.05
Automotive Supplies	35.3	4.0	1.42
Major Appliances & Home Entertainment	20.9	3.6	.75
Sporting Goods & Outdoor Living	33.6	3.1	1.04
Miscellaneous Goods	34.6	4.0	1.38

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Before Making Critical Planning Decisions

Ask The Right Questions!

QUESTIONS:

Market Potential? How much Do-It-Yourself potential is in my trading area? Will the market grow or decline? How fast? Is the market in a transition?

Future Markets? What additional market opportunities are there? Where are they? What size are the markets? Which ones offer the greatest potential?

Expansion? Should I expand? Should I reformat? What size should I be? What sales increase will there be? What product assortment should be offered?

Site Location? How good is my site? Should I relocate? Where? What changes should I make if I do? What can I afford?

Image? What image do I have with my current customers? My non-customers? What are my strengths? What do I do poorly? Who are my competitors? Why do my customers patronize a particular store? For what products? What do my customers really want out of a Do-It-Yourself store?

Market Saturation? How saturated is my market? What is my market share? What market share do my competitors have? Can I increase my market share? How much? What must be done to do so?

Advertising? Is my advertising reaching my market? What is the message to the consumer? What method and media should I use? Should I increase my ad budget? Am I properly positioning the store in both price and product?

NRHA

ANSWERS

The Retail Research Department of the National Retail Hardware Association and Home Center Institute specializes in providing answers to these and other marketing questions. Over fifteen years in analyzing the hardlines industry enables us to provide marketing consultation, experience and research unavailable from other sources.

When making critical planning decisions, we can help.

Contact the Retail Research Department of NRHA or your local State or Regional Affiliated Hardware Association.

☐ **YES!** **I NEED THE ANSWERS!**

Please send Market Planning information on these areas:

- ☐ Trade Area Analysis
- ☐ Market Location Analysis
- ☐ Consumer Research
- ☐ Customer Surveys

Name ____________________

Company ____________________

Address ____________________

City/State/Zip ____________________

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  Knowledge needed to increase the sales of screwdrivers, pliers, measuring and marking tools, clamps and locking tools, and holding and fastening tools.
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  Deals with pipes and fittings, fixtures and faucets, and repairs, and maintenance.
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  Vital information for air leakage control, insulating basements, walls, windows and doors in addition to the insulation of attics.
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  Portrays selling demonstrations of cordless electric tools, specialty tools, and more popular portable power tools, and their accessories.
- LAWN & GARDEN (VT981) **NEW!**
  Here is information on hand garden tools, watering equipment, yard equipment, riding and rotary mowers, and power equipment.
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  Tips for locks and security, what makes a good lock, how to install a lock, supplementary locks, tools and accessories, and key cutting.
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  Complete information on specialty paint, chemical solvents, surface preparation, and tools of the trade.

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Presentation of merchandise on the salesfloor is crucial to the success of a retail do-it-yourself business. Your salesfloor must look appealing, interesting, and exciting. It must be productive and profitable to maintain solid growth in this competitive retailing environment.

The Master Merchant store planning division of the National Retail Hardware Association offers you a single-source consulting service staffed by highly trained store planners/designers and merchandising consultants at the national and regional level.

Services provided by Master Merchant professionals include:

Consultation
On-site consultations are available to help you better position your business for increased sales and turnover and operating efficiencies.

Store Planning and Design
Working with you on an individual basis, our designers will.....

- design a salesfloor that gives you maximum effectiveness of existing space.
- create traffic flow patterns and fixture arrangements.
- develop departmental locations and adjacencies.
- detail merchandise placement by fixture module and determine locations of checkout counters and service areas.
- provide itemized store equipment specifications and pricing.
- determine location and sizes of receiving/warehouse areas, office areas, restrooms, etc.

Interior/Exterior Design
Your store can be exciting and distinctive with color, signing, and graphics - all to stimulate customer buying and return visits.

Site Planning
A detailed plan provides for maximum utilization of your property including proper location of the building, allowance for future expansion, parking lot layout, and appropriate driveways for ingress and egress and truck routing.

Yard & Warehouse Planning
Also knowledgeable about what goes on off the sales floor, our team will help to determine the best location of sheds and warehouses, drive-thru layouts, merchandise location and placement, warehousing equipment and racking specifications and pricing, and truck routing.

Store Equipment
The Master Merchant line of store fixtures and accessories offer maximum product presentation possibilities, are flexible for all display needs, ***and*** are competitively priced.

Installation & Merchandising Assistance
Our professionals can provide you with on-site installation supervision of store fixtures and "hands-on" merchandising with minimum interruption of business and an on-time completion.

Program Implementation
From start to finish we can assist you in scheduling, budgeting and supervising the program, allowing you to devote your time to running your business.

Each Master Merchant design team is ready and equipped with the latest trends to make your store a tough competitor. Just call the Master Merchant team in your area --(see page 27 of this book) or contact NRHA.

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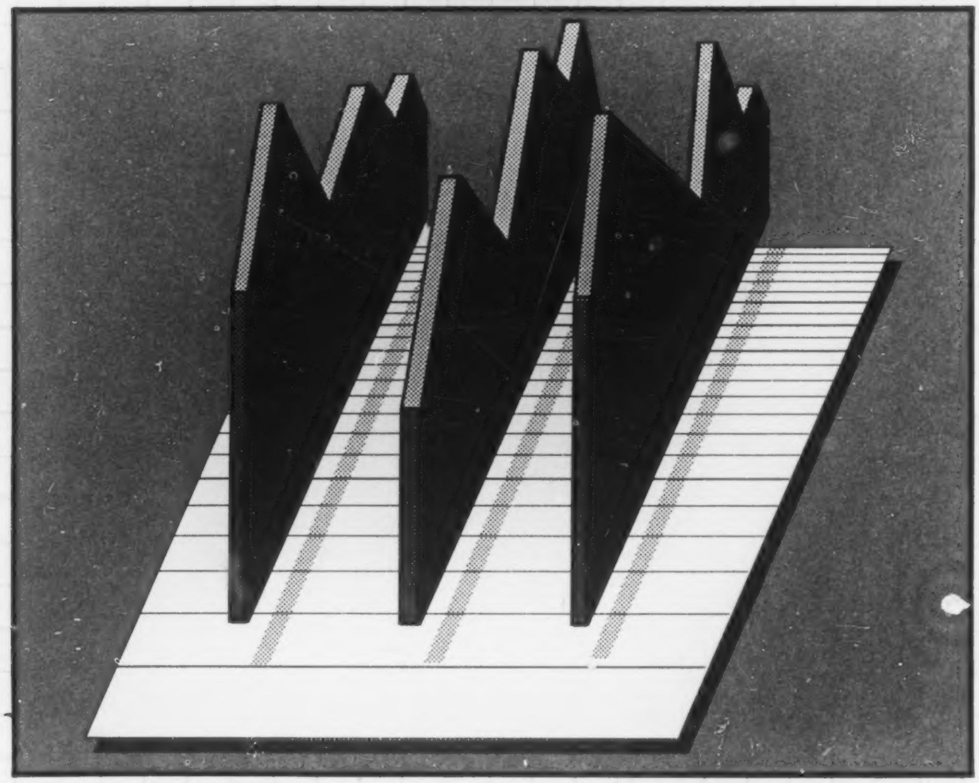
1988 BOTTOM LINE



Detailed Cost-of-Doing Business Data
For Home Centers.

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Introduction

The Bottom Line

The 1988 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives:

- To assess financial performance of the home center industry in 1987
- To provide comparative financial data so that retailers can measure their performance against industry averages
- To provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels.

Additionally, The Bottom Line provides an excellent means for manufacturers, wholesalers and other interest parties to gain a better understanding of the home center industry.

Four Major Sections

The Bottom Line is divided into four major sections: Historical Trends for 1983 through 1987; The Strategic Profit Model; Average Operating Results for 1987; and Departmental information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Bottom Lines. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The Strategic Profit Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of [illegible] sales and balance sheet items [illegible] percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in home center outlets. The percent of net sales, sales floor and inventory are outlined for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area Size
—Store Location
—Geographical Region
—Number of Stores
—Store Orientation
—Leading Publicly-Held Companies

Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provide us with detailed information on their operation. Questionnaires were sent to home center operators in February, 1988. One hundred sixty-seven usable returns were received by June 15, 1988 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was key punched by a service bureau and then processed by an independent data processing firm.

As thanks for their participation, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Bottom Line are the Management Report for retail hardware stores and The Profit Report for DIY lumber outlets.

For Assistance

Assistance and aid in interpreting The 1988 Bottom Line Report may be obtained from your regional hardware association or the National Retail Hardware Association/Home Center Institute.

Historical Trends

	ALL HOME CENTERS FISCAL YEAR				
Income Statement Data	**1987**	**1986**	**1985**	**1984**	**1983**
Net Sales Volume	$3,750,496	$3,412,005	$2,631,881	$2,875,479	$2,792,676
Gross Sales	102.83%	101.96%	102.62%	101.96%	102.08%
Less: Total Deductions	2.83	1.96	2.62	1.96	2.08
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	73.37	72.63	70.70	72.70	68.80
Margin Before Purchase Rebate or Patronage Dividend	26.63	27.37	29.30	27.30	31.20
Purchase Rebate or Patronage Dividend	.25	.18	.41	.29	.33
Margin After Purchase Rebate or Patronage Dividend	26.88	27.55	29.71	27.59	31.53
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.22	2.64	2.47	3.08	2.45
Salaries/Wages — Other Employees	10.94	9.90	10.23	9.98	12.28
Federal and State Payroll Taxes	1.11	1.07	1.17	1.11	1.21
Group Insurance	.56	.53	.50	.55	.65
Benefit Plans	.57	.49	.78	.44	.41
Total Payroll and Other Employee Expense	15.40	14.63	15.15	15.16	17.00
Occupancy Expense					
Heat, Light, Power, Water	.58	.64	.67	.60	.72
Building Repairs and Maintenance	.46	.34	.17	.38	.31
Rent or Ownership in Real Estate**	2.11	2.19	1.93	2.14	2.48
Total Occupancy Expense	3.15	3.17	2.77	3.12	3.51
Other Costs of Doing Business					
Advertising and Promotion	1.70	1.76	1.93	1.59	1.96
Insurance (Other than Real Estate or Group)	.61	.61	.37	.47	.41
Taxes (Other than Real Estate and Payroll)	.31	.50	.30	.47	.25
Interest (Other than Real Estate)	.79	1.03	1.34	1.03	.61
Depreciation (Other than Real Estate)	.72	.82	.62	.70	.79
All Other Expenses	3.67	3.78	4.19	3.47	4.15
Total Other Costs of Doing Business	7.80	8.49	8.75	7.73	8.17
Total Operating Expenses	26.35	26.29	26.67	26.01	28.68
Operating Profit or Loss	.53	1.26	3.04	1.58	2.85
Other Income	1.69	1.57	1.27	1.69	1.53
Net Operating Profit or Loss (Before Income Taxes)	2.21	2.83	4.31	3.27	4.38
Financial Performance					
Profit on Investment	12.30%	15.79%	20.89%	17.05%	17.49%
Active Owner's Return	24.62%	30.54%	32.86%	33.16%	27.26%
Current Asset Ratio	2.30x	2.28x	2.45x	2.32x	2.48x
Quick Asset Ratio	.89x	1.00x	.95x	1.02x	.87x
Total Debt to Tangible Net Worth	118.03%	110.09%	90.86%	99.74%	66.60%
Stock Turn Times	4.49x	4.92x	4.10x	4.83x	3.89x
Sales to Inventory Ratio	6.13x	6.78x	5.80x	6.64x	5.65x
Average Inventory per Sq. Ft. Sales Area	$39.05	$32.43	$62.54	$49.00	$50.25
Net Sales to Accounts Receivable	11.97x	10.94x	12.47x	12.46x	15.70x
Net Sales to Total Assets	2.55x	2.66x	2.54x	2.62x	2.40x
Net Sales to Net Worth	5.55x	5.58x	4.85x	5.22x	3.99x
Net Sales to Net Working Capital	3.77x	3.86x	5.96x	6.37x	5.90x
Other Operating Data					
Credit Sales — % of Total Gross Sales	53.59%	47.42%	41.08%	53.82%	44.55%
Consumer Sales — % of Total Gross Sales	51.47%	52.25%	62.26%	59.21%	67.13%
Selling Area — Square Feet	15,398	15,055	13,738	17,163	19,428
Sales Per Square Foot — Selling Area	$240.67	$226.63	$190.18	$158.18	$143.74
Total Area — Square Feet	33,490	35,105	28,015	33,478	31,898
Sales Per Square Foot — Total Area	$97.07	$89.91	$85.06	$92.75	$87.55
Sales Per Person Employed	$128,930	$136,719	$107,839	$116,517	$87,988
Sales Per Customer	$25.60	$33.27	$29.63	$37.86	$18.18

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales** 1987	1986	1985	1984	1983	Sales Per Square Foot 1987	1986	1985	1984	1983
Hardware	6.5%	8.9%	9.1%	10.3%	11.1%	$160.20	$155.21	$130.67	$140.78	$144.79
Hand Tools	2.6	3.1	3.0	3.4	4.8	190.58	170.87	114.88	125.75	131.40
Power Tools & Accessories	2.3	3.8	2.4	3.3	4.6	189.24	203.09	145.08	136.48	154.59
Plumbing, Heating & Cooling	5.4	5.8	6.6	7.6	10.2	191.83	151.23	130.72	143.50	132.94
Electrical Supplies	3.6	4.3	4.5	5.5	7.5	175.49	142.74	121.19	130.32	126.60
Paint & Home Decorating	5.4	6.0	7.3	8.7	9.2	159.63	127.01	143.42	129.37	131.07
Lumber	31.7	28.7	27.7	20.3	14.4	748.85	490.75	389.12	364.21	261.14
Building Materials	24.8	25.9	26.8	25.7	17.2	473.34	399.08	225.61	292.18	280.76
Lawn & Garden	4.4	4.9	5.0	5.4	9.4	152.86	163.40	125.27	117.01	89.53
Housewares	1.5	1.2	1.3	2.0	4.2	82.71	58.15	71.48	85.23	92.7[illegible]
Automotive Supplies	1.9	.5	.9	.5	1.2	84.46	90.39	110.64	160.40	137.64
Major Appliances & Home Entertainment	.5	1.2	.5	1.6	1.4	263.43	121.28	130.01	113.07	121.20
Sporting Goods & Outdoor Living	.5	.4	.8	1.3	1.7	162.91	NA	112.03	100.00	139.85
Miscellaneous Goods	9.1	5.3	4.1	4.4	3.1	263.13	247.16	102.85	118.77	187.40

	Sales To Inventory Ratio 1987	1986	1985	1984	1983	Gross Margin Return On Investment 1987	1986	1985	1984	1983
Hardware	4.5x	5.5x	4.7x	5.3x	4.2x	$1.73	$2.06	$1.88	$2.13	$1.62
Hand Tools	4.7	6.0	5.8	4.9	4.0	1.55	2.07	2.06	1.74	1.38
Power Tools & Accessories	4.2	5.6	4.2	5.3	3.9	1.22	1.66	1.28	1.65	1.36
Plumbing, Heating & Cooling	4.0	5.0	5.1	5.1	4.8	1.44	1.79	1.88	1.92	1.81
Electrical Supplies	3.7	5.3	5.0	4.8	5.1	1.38	1.94	1.87	1.76	1.95
Paint & Home Decorating	4.8	6.2	6.1	6.6	5.9	1.59	2.19	2.06	2.48	2.14
Lumber	8.5	9.4	6.9	8.3	7.2	2.02	2.20	1.72	2.11	1.94
Building Materials	7.8	8.7	6.6	5.8	6.6	2.04	2.18	1.74	1.72	1.82
Lawn & Garden	5.5	6.6	5.0	5.3	5.2	1.74	2.10	1.57	1.76	1.55
Housewares	3.7	3.5	3.9	3.1	4.6	1.17	.95	1.28	1.05	1.45
Automotive Supplies	6.9	3.4	4.5	3.6	5.5	2.01	.85	1.44	1.04	1.73
Major Appliances & Home Entertainment	2.5	4.8	3.8	4.1	5.0	.45	1.00	.67	.84	.91
Sporting Goods & Outdoor Living	4.2	3.4	3.7	3.7	5.2	1.17	.85	1.21	1.06	1.45
Miscellaneous Goods	7.3	8.6	4.8	5.0	4.9	2.46	2.65	.86	1.63	1.39

**Average Home Center.

Monthly Sales

Month	1987	1986	1985	1984	1983
January	6.0	6.0	6.0	6.0	5.7
February	5.8	5.0	5.4	5.9	5.4
March	7.5	6.2	6.9	6.8	6.7
April	8.5	8.2	8.8	8.2	8.0
May	9.6	9.6	9.8	9.9	9.3
June	9.9	10.1	9.6	10.2	10.1
July	9.5	9.9	9.4	9.2	9.4
August	9.1	9.1	9.4	9.2	9.3
September	8.9	9.9	8.8	8.6	9.0
October	9.3	9.7	9.1	8.8	9.1
November	8.1	8.2	8.4	8.4	8.6
December	7.8	8.1	8.4	8.8	9.4

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

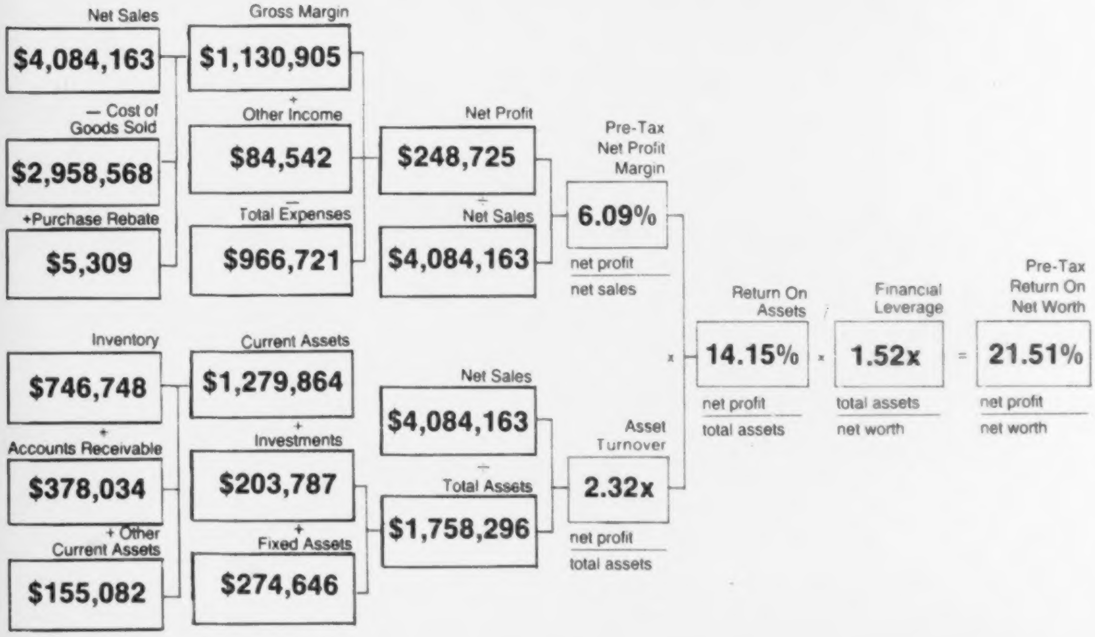
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Centers



Net Sales
$4,084,163
— Cost of Goods Sold
$2,958,568
+Purchase Rebate
$5,309
Gross Margin
$1,130,905
+
Other Income
$84,542
—
Total Expenses
$966,721
Net Profit
$248,725
÷
Net Sales
$4,084,163
Pre-Tax Net Profit Margin
6.09%
net profit
net sales
Inventory
$746,748
+
Accounts Receivable
$378,034
+ Other Current Assets
$155,082
Current Assets
$1,279,864
+
Investments
$203,787
+
Fixed Assets
$274,646
Net Sales
$4,084,163
÷
Total Assets
$1,758,296
Asset Turnover
2.32x
net profit
total assets
x
Return On Assets
14.15%
net profit
total assets
x
Financial Leverage
1.52x
total assets
net worth
=
Pre-Tax Return On Net Worth
21.51%
net profit
net worth

Highlights

Type of Home Center	1987 Net Sales ($)	Sales Increase Over 1986* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Home Centers	3,750,496	+ 7.41	26.88	2.21	12.30	4.49
Low Profit	2,854,994	+ 4.18	25.64	-1.45	- 9.16	3.89
High Profit	4,084,163	+ 7.86	27.69	6.90	21.45	4.15
Sales Volume Size						
Under $3,000,000	1,750,671	+ 8.23	28.82	1.55	6.54	3.05
$3,000,000 to $4,999,999	4,055,132	+ 7.77	24.72	.57	4.31	5.64
$5,000,000 or more	7,628,478	+ 6.64	27.38	3.64	19.83	4.92
Sales Floor Size						
Under 15,000 Sq. Ft.	3,354,024	+ 7.84	25.31	2.15	12.37	4.73
15,000 to 19,999 Sq. Ft.	2,999,546	+10.49	28.48	3.23	17.69	4.36
20,000 Sq. Ft. or more	5,164,887	+ 5.67	29.08	2.02	11.02	4.21
Type of Origin						
Originally Hardware	2,705,472	+ 6.75	30.08	2.52	10.37	3.17
Originally Lumber/Building Materials	4,338,566	+ 7.27	25.94	2.11	13.28	5.16
Organized as Home Center	2,943,059	+13.04	30.42	1.93	7.98	3.16
Trade Area Size						
Metropolitan Statistical Area	4,894,256	+ 4.64	28.71	1.91	9.76	4.26
Cities 10,000 to 50,000	2,886,873	+ 4.44	26.14	.38	2.63	4.51
Towns Under 10,000	3,825,638	+11.16	26.36	3.23	17.49	4.64
Outlet Location: Part I						
Downtown	2,743,246	+ 8.03	27.36	2.08	7.76	3.34
Rural and Suburban	3,978,206	+ 7.51	26.70	2.14	13.33	4.76
Outlet Location: Part II						
Shopping Centers	2,738,762	+ 9.78	30.99	2.80	10.48	2.71
Free-Standing — No Stores Adjacent	4,408,290	+ 7.44	26.60	3.37	17.76	4.59
Free-Standing — Stores Nearby	3,653,484	+ 6.56	26.61	1.11	7.26	5.16
Number of Stores:						
Single Store Business	3,817,505	+ 7.98	27.43	2.34	10.55	4.18
2 to 4 Stores	4,540,108	+ 6.90	28.13	2.55	19.52	5.07
5 Stores or more	3,211,421	+ 6.97	25.05	1.76	11.11	4.59

*As reported by The Bottom Line contributors.

Monthly Sales

	%		%		%
January	6.0	May	9.6	September	8.9
February	5.8	June	9.9	October	9.3
March	7.5	July	9.5	November	8.1
April	8.5	August	9.1	December	7.8

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	167	41	40
Net Sales Volume	$3,750,496	$2,854,994	$4,084,163
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+7.41%	+ 4.18%	+7.86%
Gross Sales	102.83%	102.01%	101.42%
Less: Total Deductions	2.83	2.01	1.42
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.37	74.97	72.44
Margin Before Purchase Rebate or Patronage Dividend	26.63	25.03	27.56
Purchase Rebate or Patronage Dividend	.25	.62	.13
Margin After Purchase Rebate or Patronage Dividend	26.88	25.64	27.69
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.22	2.51	2.18
Salaries/Wages — Other Employees	10.94	11.38	9.96
Federal and State Payroll Taxes	1.11	1.19	.87
Group Insurance	.56	.60	.38
Benefit Plans	.57	.31	.44
Total Payroll and Other Employee Expense	15.40	16.00	13.83
Occupancy Expense			
Heat, Light, Power, Water	.58	.78	.47
Building Repairs and Maintenance	.46	.50	.29
Rent or Ownership in Real Estate**	2.11	2.39	1.77
Total Occupancy Expense	3.15	3.67	2.53
Other Costs of Doing Business			
Office Supplies and Postage	.37	.46	.31
Advertising and Promotion	1.70	2.14	1.29
Donations	.05	.03	.07
Telephone and Telegraph	.28	.29	.26
Bad Debts	.35	.68	.30
Credit Card Expense (Bank Charges)	.13	.11	.12
Delivery (Other than Wages)	.70	.47	.75
Leasing Expenses (Non-Occupancy)	.19	.19	.13
Insurance (Other than Real Estate and Group)	.61	.41	.82
Taxes (Other than Real Estate and Payroll)	.31	.23	.46
Interest (Other than Real Estate)	.79	1.30	.51
Depreciation (Other than Real Estate)	.72	.76	.86
Store and Shop Supplies	.26	.23	.37
Legal and Accounting	.24	.30	.23
Computer Services and Expenses (Other than Wages)	.21	.54	.18
Dues and Subscriptions	.04	.06	.03
Travel, Buying, Entertainment	.18	.19	.15
Miscellaneous Services (Laundry, Disposal, Etc.)	.10	.12	.16
Unclassified Expenses	.58	.36	.33
Total Other Costs of Doing Business	7.80	8.88	7.30
Total Operating Expenses	26.35	28.54	23.67
Operating Profit or Loss	.53	-2.89	4.02
Other Income	1.69	1.44	2.07
Net Operating Profit or Loss (Before Income Taxes)	2.21	-1.45	6.09

*As reported to us by The Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,472,432	$1,343,001	$1,758,296
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.40	3.59	6.69
Notes and Installment Contracts Receivable	1.20	.66	1.71
Accounts Receivable	21.27	15.74	21.50
Merchandise Inventory (End of Year)	42.44	40.95	42.47
Other Current Assets	.97	.80	.43
Total Current Assets	69.28	61.75	72.79
Stocks and Bonds	1.93	2.77	2.27
Real Estate (Not Used In Bus.)	2.52	8.72	1.10
Other Investments	6.01	2.37	8.22
Total Investments	10.46	13.86	11.59
Land (Owned and Used In Bus.)	2.46	1.52	1.91
Buildings (Owned and Used In Bus. Less Depre.)	8.65	13.12	4.79
Leasehold Improvements (Less Amortization Allowance)	1.40	.70	1.52
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.92	7.43	3.10
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.54	.85	1.89
Other Fixed Assets	1.29	.77	2.42
Total Fixed Assets	20.26	24.39	15.62
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	14.76	12.89	13.70
Current Portion of Notes Payable	8.51	10.86	2.84
Accrued Payroll Taxes	.89	.06	.58
Accrued Other Taxes	1.10	.98	1.39
Other Accrued Expenses	3.19	2.82	2.82
Other Current Liabilities	1.71	.29	1.17
Total Current Liabilities	30.16	27.90	22.52
Notes Due Partners/Officers	2.26	1.38	1.38
Mortgage Payable	3.39	2.09	1.28
Long Term Debt	16.41	34.92	8.34
Other Long Term Liabilities	1.92	.14	.52
Total Long Term Liabilities	23.98	38.53	11.52
Total Liabilities	54.13	66.42	34.04
Net Worth	45.87	33.58	65.96
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	12.30%	-9.16%	21.45%
Active Owner's Return	24.62%	6.74%	29.12%
Current Asset Ratio	2.30x	2.21x	3.23x
Quick Asset Ratio	89x	.75x	1.33x
Total Debt to Tangible Net Worth	118.03%	197.83%	51.60%
Stock Turn Times	4.49x	3.89x	4.15x
Sales to Inventory Ratio	6.13x	5.19x	5.73x
Average Inventory per Sq. Ft. Sales Area	$39.05	$27.95	$44.69
Net Sales to Accounts Receivable	11.97x	13.50x	10.81x
Net Sales to Total Assets	2.55x	2.13x	2.32x
Net Sales to Net Worth	5.55x	6.33x	3.52x
Net Sales to Net Working Capital	3.77x	3.46x	3.24x

Other Operating Data

Credit Sales — % of Total Gross Sales	53.59%	52.01%	49.80%
Consumer Sales — % of Total Gross Sales	51.47%	59.35%	49.58%
Selling Area — Square Feet	15,398	17,724	16,237
Sales Per Square Foot — Selling Area	$240.67	$161.08	$251.53
Total Area — Square Feet	33,490	30,679	41,249
Sales Per Square Foot — Total Area	$97.07	$93.06	$76.40
Sales Per Person Employed	$128,930	$107,829	$140,709
Sales Per Customer	$25.60	$18.75	$29.62

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.
††Defined as the top twenty-five percent of all contributors based on Net Profit.

Sales Volume Size

Income Statement Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Number of Outlets	81	48	38
Net Sales Volume	$1,750,671	$4,055,132	$7,628,478
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	8.23%	7.77%	6.64%
Gross Sales	104.18%	102.80%	102.18%
Less: Total Deductions	4.18	2.80	2.18
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.65	75.64	72.68
Margin Before Purchase Rebate or Patronage Dividend	28.35	24.36	27.32
Purchase Rebate or Patronage Dividend	.47	.36	.06
Margin After Purchase Rebate or Patronage Dividend	28.82	24.72	27.38
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.15	2.04	1.88
Salaries/Wages — Other Employees	10.66	10.44	11.41
Federal and State Payroll Taxes	1.19	1.16	1.04
Group Insurance	.62	.53	.56
Benefit Plans	.40	.35	.80
Total Payroll and Other Employee Expense	16.02	14.52	15.69
Occupancy Expense			
Heat, Light, Power, Water	.86	.64	.41
Building Repairs and Maintenance	.51	.54	.38
Rent or Ownership in Real Estate**	2.78	2.07	1.80
Total Occupancy Expense	4.14	3.25	2.59
Other Costs of Doing Business			
Office Supplies and Postage	.36	.49	.29
Advertising and Promotion	2.06	2.00	1.32
Donations	.05	.04	.06
Telephone and Telegraph	.32	.26	.27
Bad Debts	.38	.54	.22
Credit Card Expense (Bank Charges)	.16	.13	.10
Delivery (Other Than Wages)	.50	.56	.89
Leasing Expenses (Non-Occupancy)	.31	.25	.10
Insurance (Other Than Real Estate and Group)	.80	.41	.64
Taxes (Other Than Real Estate and Payroll)	.38	.25	.31
Interest (Other Than Mortgages)	1.24	.91	.49
Depreciation (Other than Real Estate)	.00	.62	.65
Store and Shop Supplies	.33	.14	.31
Legal and Accounting	.26	.24	.22
Computer Services and Expenses (Other Than Wages)	.21	.27	.17
Dues and Subscriptions	.06	.05	.03
Travel, Buying, Entertainment	.20	.19	.16
Miscellaneous Services (Laundry, Disposal, etc.)	.12	.11	.08
Unclassified Expenses	.76	.66	.44
Total Other Costs of Doing Business	9.49	8.14	6.75
Total Operating Expenses	29.66	25.92	25.03
Operating Profit or Loss	- .84	-1.20	2.35
Other Income	2.39	1.77	1.29
Net Operating Profit or Loss (Before Income Taxes)	1.55	.57	3.64

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**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Total Dollar Assets	$811,152	$1,308,342	$2,836,644
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.88	2.62	3.63
Notes and Installment Contracts Receivable	.68	1.64	1.23
Accounts Receivable	14.63	19.85	26.28
Merchandise Inventory (End of Year)	51.77	35.31	41.54
Other Current Assets	1.66	.78	.67
Total Current Assets	72.62	60.20	73.35
Stocks and Bonds	3.65	1.87	.93
Real Estate (Not Used in Bus.)	1.05	6.97	.42
Other Investments	6.09	6.41	5.69
Total Investments	10.79	15.25	7.04
Land (Owned and Used in Bus.)	1.75	2.08	3.15
Buildings (Owned and Used in Bus. Less Depre.)	6.67	11.42	8.00
Leasehold Improvements (Less Amortization Allowance)	1.08	2.14	1.09
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.09	7.15	3.92
Delivery Equipment (Owned and Used in Bus. Less Depre.)	.99	1.24	2.08
Other Fixed Assets	2.01	.52	1.37
Total Fixed Assets	16.59	24.55	19.61
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	11.55	14.40	16.96
Current Portion of Notes Payable	10.21	10.91	5.85
Accrued Payroll Taxes	.40	1.13	1.03
Accrued Other Taxes	1.12	.48	1.50
Other Accrued Expenses	1.88	2.72	4.31
Other Current Liabilities	1.66	1.25	2.05
Total Current Liabilities	26.81	30.89	31.70
Notes Due Partners/Officers	2.91	1.38	2.46
Mortgage Payable	2.23	2.98	4.37
Long Term Debt	15.65	28.30	8.89
Other Long Term Liabilities	1.27	.59	3.21
Total Long Term Liabilities	22.06	33.24	18.92
Total Liabilities	48.88	64.13	50.63
Net Worth	51.12	35.87	49.37
Total Liabilities And Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	6.54%	4.31%	19.83%
Active Owner's Return	19.86%	19.60%	30.06%
Current Asset Ratio	2.71x	1.95x	2.31x
Quick Asset Ratio	.78x	.81x	1.00x
Total Debt to Tangible Net Worth	95.60%	178.79%	102.54%
Stock Turn Times	3.05x	5.64x	4.92x
Sales to Inventory Ratio	4.25x	7.45x	6.77x
Average Inventory per Sq. Ft. Sales Area	$28.44	$33.08	$57.28
Net Sales to Accounts Receivable	14.75x	13.54x	10.23x
Net Sales to Total Assets	2.16x	2.69x	2.69x
Net Sales to Net Worth	4.22x	7.50x	5.45x
Net Sales to Net Working Capital	3.04x	4.56x	3.77x

Other Operating Data

Credit Sales — % of Total Gross Sales	41.41%	48.75%	62.28%
Consumer Sales — % of Total Gross Sales	63.56%	57.75%	41.09%
Selling Area — Square Feet	13,635	15,124	19,505
Sales Per Square Foot — Selling Area	$128.40	$268.13	$381.06
Total Area — Square Feet	24,650	29,679	57,146
Sales Per Square Foot — Total Area	$57.30	$136.63	$107.67
Sales Per Person Employed	$102,286	$128,955	$152,424
Sales Per Customer	$15.72	$37.73	$27.49

Sales Floor Size

Income Statement Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	103	24	39
Net Sales Volume	$3,354,024	$2,999,546	$5,164,887
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+7.84%	+10.49%	+5.67%
Gross Sales	103.16%	101.98%	102.67%
Less: Total Deductions	3.16	1.98	2.67
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.00	71.69	71.09
Margin Before Purchase Rebate or Patronage Dividend	25.00	28.31	28.91
Purchase Rebate or Patronage Dividend	.31	.17	.17
Margin After Purchase Rebate Or Patronage Dividend	25.31	28.48	29.08
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.10	3.21	2.09
Salaries — Other Employees	9.87	9.71	13.16
Federal and State Payroll Taxes	.96	1.08	1.36
Group Insurance	.54	.48	.66
Benefit Plans	.63	.47	.51
Total Payroll and Other Employee Expense	14.11	14.94	17.78
Occupancy Expense			
Heat, Light, Power, Water	.49	.63	.72
Building Repairs and Maintenance	.46	.38	.50
Rent or Ownership in Real Estate**	1.90	2.82	2.27
Total Occupancy Expense	2.85	3.83	3.49
Other Costs of Doing Business			
Office Supplies and Postage	.39	.38	.33
Advertising and Promotion	1.62	1.52	1.92
Donations	.05	.06	.05
Telephone and Telegraph	.29	.25	.26
Bad Debts	.40	.36	.24
Credit Card Expense (Bank Charges)	.10	.20	.15
Delivery (Other Than Wages)	.61	.73	.78
Leasing Expenses (Non-Occupancy)	.24	.14	.13
Insurance (Other Than Real Estate and Group)	.59	.81	.53
Taxes (Other Than Real Estate and Payroll)	.37	.34	.19
Interest (Other Than Real Estate)	.81	.94	.69
Depreciation (Other Than Real Estate)	.74	.88	.65
Store and Shop Supplies	.17	.32	.38
Legal and Accounting	.26	.25	.19
Computer Services and Expenses (Other Than Wages)	.21	.17	.24
Dues and Subscriptions	.05	.05	.03
Travel, Buying, Entertainment	.21	.13	.13
Miscellaneous Services (Laundry, Disposal, etc.)	.05	.30	.12
Unclassified Expenses	.74	.49	.35
Total Other Costs of Doing Business	7.92	8.33	7.36
Total Operating Expenses	24.87	27.09	28.63
Operating Profit or Loss	.45	1.39	.45
Other Income	1.70	1.84	1.57
Net Operating Profit or Loss (Before Income Taxes)	2.15	3.23	2.02

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Sales Floor Size

Balance Sheet Data	Sales Area Under 14,999 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$1,390,070	$1,100,344	$1,842,197
		% of Total Assets	
Assets			
Cash On Hand and In Bank	2.75	7.57	3.37
Notes and Installment Contracts Receivable	.83	1.79	1.75
Accounts Receivable	23.83	17.66	16.47
Merchandise Inventory (End of Year)	38.84	45.37	49.03
Other Current Assets	1.39	- .18	.53
Total Current Assets	67.63	72.22	71.14
Stocks and Bonds	1.71	2.93	2.14
Real Estate (Not Used in Bus.)	3.38	.47	1.70
Other Investments	5.80	4.51	6.92
Total Investments	10.89	7.90	10.76
Land (Owned and Used in Bus.)	2.20	2.12	3.01
Buildings (Owned and Used in Bus. Less Depre.)	9.20	7.33	8.14
Leasehold Improvements (Less Depre.)	1.87	.58	.84
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	5.42	5.40	3.58
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.65	1.17	1.57
Other Fixed Assets	1.13	3.27	.96
Total Fixed Assets	21.48	19.87	18.10
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	14.98	14.26	14.92
Current Portion of Notes Payable	10.11	4.01	6.70
Accrued Payroll Taxes	1.28	.66	.24
Accrued Other Taxes	.60	2.13	1.76
Other Accrued Expenses	2.70	3.00	4.25
Other Current Liabilities	1.97	3.41	.46
Total Current Liabilities	31.65	27.47	28.33
Notes Due Partners/Officers	1.49	3.04	3.65
Mortgage Payable	2.44	2.14	5.27
Long Term Debt	19.70	16.55	10.74
Other Long Term Liabilities	2.79	1.03	.58
Total Long Term Liabilities	26.42	22.75	20.23
Total Liabilities	58.06	50.22	48.56
Net Worth	41.94	49.78	51.44
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	12.37%	17.69%	11.02%
Active Owner's Return	24.47%	35.25%	22.42%
Current Asset Ratio	2.14x	2.63x	2.51x
Quick Asset Ratio	.91x	.95x	.78x
Total Debt to Tangible Net Worth	138.45%	100.89%	94.40%
Stock Turn Times	4.73x	4.36x	4.21x
Sales to Inventory Ratio	6.30x	6.08x	5.92x
Average Inventory per Sq. Ft. Sales Area	$46.98	$35.49	$33.22
Net Sales to Accounts Receivable	10.13x	15.44	17.02
Net Sales to Total Assets	2.41x	2.73x	2.80x
Net Sales to Net Worth	5.75x	5.48x	5.45x
Net Sales to Net Working Capital	3.67x	3.96x	3.97x
Other Operating Data			
Credit Sales — % of Total Gross Sales	54.92%	63.33%	48.56%
Consumer Sales — % of Total Gross Sales	49.18%	54.56%	54.28%
Selling Area — Square Feet	11,303	15,667	26,445
Sales Per Square Foot — Selling Area	$296.74	$191.46	$195.31
Total Area — Square Feet	22,109	30,548	66,217
Sales Per Square Foot — Total Area	$121.67	$96.46	$75.54
Sales Per Person Employed	$134,909	$133,809	$114,618
Sales Per Customer	$47.89	$26.94	$11.24

Type of Origin

Income Statement Data	**Originally Hardware Store**	**Originally Lumber/ Building Materials Outlet**	**Organized As A Home Center**
Number of Stores	45	105	11
Net Sales Volume	$2,705,472	$4,338,566	$2,943,059
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 6.75%	+ 7.27%	+13.04%
Gross Sales	102.05%	102.89%	104.67%
Less: Total Deductions	2.05	2.89	4.67
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.05	74.32	70.13
Margin Before Purchase Rebate or Patronage Dividend	29.95	25.68	29.87
Purchase Rebate or Patronage Dividend	.13	.26	.55
Margin After Purchase Rebate or Patronage Dividend	30.08	25.94	30.42
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.72	2.16	1.41
Salaries/Wages — Other Employees	11.75	10.71	12.51
Federal and State Payroll Taxes	1.31	1.05	1.37
Group Insurance	.58	.58	.33
Benefit Plans	.44	.61	.70
Total Payroll and Other Employee Expense	16.80	15.11	16.32
Occupancy Expense			
Heat, Light, Power, Water	.85	.48	.98
Building Repairs and Maintenance	.67	.40	.53
Rent or Ownership in Real Estate**	3.00	1.82	3.09
Total Occupancy Expense	4.52	2.70	4.60
Other Costs of Doing Business			
Advertising and Promotion	2.32	1.54	1.85
Insurance (Other Than Real Estate or Group)	.64	.61	.33
Taxes (Other Than Real Estate or Payroll)	.36	.31	.20
Interest (Other Than Real Estate)	.75	.80	.89
Depreciation (Other Than Real Estate)	.74	.70	1.15
All Other Expenses	3.40	3.78	3.48
Total Other Costs of Doing Business	8.21	7.74	7.90
Total Operating Expenses	29.53	25.52	28.80
Operating Profit or Loss	.55	.42	1.61
Other Income	1.97	1.69	.31
Net Operating Profit or Loss (Before Income Taxes)	2.52	2.11	1.93
Financial Performance			
Profit on Investment	10.37%	13.28%	7.98%
Active Owner's Return	21.60%	26.88%	13.82%
Current Asset Ratio	3.00x	2.07x	2.75x
Quick Asset Ratio	.81x	.88x	1.06x
Total Debt to Tangible Net Worth	75.91%	139.80%	97.24%
Stock Turn Times	3.17x	5.16x	3.16x
Sales to Inventory Ratio	4.53x	6.95x	4.51x
Average Inventory per Sq. Ft. Sales Area	$31.35	$45.11	$41.23
Net Sales to Accounts Receivable	17.13x	11.23x	8.59x
Net Sales to Total Assets	2.34x	2.63x	2.10x
Net Sales to Net Worth	4.12x	6.30x	4.14x
Net Sales to Net Working Capital	3.27x	4.00x	2.92x
Other Operating Data			
Credit Sales — % of Total Gross Sales	33.46%	58.36%	50.49%
Consumer Sales — % of Total Gross Sales	63.87%	46.73%	71.31%
Selling Area — Square Feet	19,657	13,075	20,091
Sales Per Square Foot — Selling Area	$137.63	$326.40	$146.49
Total Area — Square Feet	43,526	29,512	33,418
Sales Per Square Foot — Total Area	$58.27	$122.53	$88.07
Sales Per Person Employed	$109,398	$138,526	$100,853
Sales Per Customer	$10.81	$50.10	$16.67

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Trade Area Size

Income Statement Data	**Metropolitan Statistical Areas**	**Cities 10,000 To 50,000 Pop.**	**Towns Under 10,000 Pop.**
Number of Stores	33	54	79
Net Sales Volume	$4,894,256	$2,886,873	$3,825,638
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+4.64%	+ 4.44%	+11.16%
Gross Sales	102.27%	103.91%	102.52%
Less: Total Deductions	2.27	3.91	2.52
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.35	74.61	73.74
Margin Before Purchase Rebate or Patronage Dividend	28.65	25.39	26.26
Purchase Rebate or Patronage Dividend	.07	.75	.09
Margin After Purchase Rebate or Patronage Dividend	28.71	26.14	26.36
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.13	3.06	1.87
Salaries/Wages — Other Employees	13.04	10.45	10.12
Federal and State Payroll Taxes	1.32	1.19	.96
Group Insurance	.70	.60	.47
Benefit Plans	.50	.43	.67
Total Payroll and Other Employee Expense	17.69	15.74	14.09
Occupancy Expense			
Heat, Light, Power, Water	.61	.64	.54
Building Repairs and Maintenance	.55	.51	.39
Rent or Ownership in Real Estate**	2.47	1.92	2.02
Total Occupancy Expense	3.63	3.07	2.95
Other Costs of Doing Business			
Advertising and Promotion	1.88	1.58	1.69
Insurance (Other Than Real Estate or Group)	.49	.57	.69
Taxes (Other Than Real Estate or Payroll)	.26	.22	.38
Interest (Other Than Real Estate)	.52	1.36	.64
Depreciation (Other Than Real Estate)	.65	.80	.72
All Other Expenses	2.73	4.36	3.81
Total Other Costs of Doing Business	6.53	8.89	7.93
Total Operating Expenses	27.85	27.71	24.97
Operating Profit or Loss	.86	-1.57	1.39
Other Income	1.05	1.94	1.85
Net Operating Profit or Loss (Before Income Taxes)	1.91	.38	3.23
Financial Performance			
Profit on Investment	9.76%	2.63%	17.49%
Active Owner's Return	20.66%	23.97%	27.59%
Current Asset Ratio	2.43x	1.93x	2.44x
Quick Asset Ratio	.88x	.72x	.99x
Total Debt to Tangible Net Worth	92.10%	195.74%	106.03%
Stock Turn Times	4.26x	4.51x	4.64x
Sales to Inventory Ratio	5.97x	6.04x	6.30x
Average Inventory per Sq. Ft. Sales Area	$44.26	$29.04	$42.18
Net Sales to Accounts Receivable	12.92x	12.72x	11.46x
Net Sales to Total Assets	2.66x	2.36x	2.63x
Net Sales to Net Worth	5.11x	6.97x	5.41x
Net Sales to Net Working Capital	3.74x	3.87x	3.77x
Other Operating Data			
Credit Sales — % of Total Gross Sales	51.09%	62.48%	50.49%
Consumer Sales — % of Total Gross Sales	50.02%	51.99%	52.43%
Selling Area — Square Feet	19,425	14,916	14,115
Sales Per Square Foot — Selling Area	$240.33	$193.55	$271.04
Total Area — Square Feet	39,982	25,473	35,732
Sales Per Square Foot — Total Area	$107.24	$94.33	$93.85
Sales Per Person Employed	$124,672	$107,263	$143,662
Sales Per Customer	$15.82	$33.61	$29.39

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Store Location: Part I

Income Statement Data	**Downtown**	**Rural And Suburban**
Number of Stores	26	136
Net Sales Volume	$2,743,246	$3,978,206
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 8.03%	+ 7.51%
Gross Sales	102.88%	102.87%
Less: Total Deductions	2.88	2.87
Net Sales	100.00%	100.00%
Cost of Goods Sold	72.95	73.54
Margin Before Purchase Rebate or Patronage Dividend	27.05	26.46
Purchase Rebate or Patronage Dividend	.31	.24
Margin After Purchase Rebate or Patronage Dividend	27.36	26.70
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.54	2.16
Salaries/Wages — Other Employees	11.10	10.86
Federal and State Payroll Taxes	1.31	1.07
Group Insurance	.52	.58
Benefit Plans	.33	.62
Total Payroll and Other Employee Expense	15.79	15.29
Occupancy Expense		
Heat, Light, Power, Water	.64	.56
Building Repairs and Maintenance	.54	.44
Rent or Ownership in Real Estate**	1.61	2.18
Total Occupancy Expense	2.79	3.18
Other Costs of Doing Business		
Advertising and Promotion	1.32	1.78
Insurance (Other Than Real Estate or Group)	.91	.56
Taxes (Other Than Real Estate or Payroll)	.39	.29
Interest (Other Than Real Estate)	.75	.81
Depreciation (Other Than Real Estate)	.65	.72
All Other Expenses	4.55	3.58
Total Other Costs of Doing Business	8.57	7.74
Total Operating Expenses	27.14	26.21
Operating Profit or Loss	.22	.49
Other Income	1.86	1.65
Net Operating Profit or Loss (Before Income Taxes)	2.08	2.14
Financial Performance		
Profit on Investment	7.76%	13.33%
Active Owner's Return	17.23%	26.79%
Current Asset Ratio	3.01x	2.15x
Quick Asset Ratio	1.21x	.82x
Total Debt to Tangible Net Worth	83.01%	133.50%
Stock Turn Times	3.34x	4.76x
Sales to Inventory Ratio	4.58x	6.47x
Average Inventory per Sq. Ft. Sales Area	$40.09	$38.97
Net Sales to Accounts Receivable	8.29x	12.62x
Net Sales to Total Assets	2.04x	2.66x
Net Sales to Net Worth	3.74x	6.22x
Net Sales to Net Working Capital	2.75x	4.00x
Other Operating Data		
Credit Sales — % of Total Gross Sales	58.58%	53.07%
Consumer Sales — % of Total Gross Sales	48.22%	51.75%
Selling Area — Square Feet	15,395	15,344
Sales Per Square Foot — Selling Area	$178.19	$255.70
Total Area — Square Feet	36,953	32,519
Sales Per Square Foot — Total Area	$74.24	$103.47
Sales Per Person Employed	$119,793	$130,871
Sales Per Customer	$23.25	$25.96

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Store Location: Part II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Stores	25	59	79
Net Sales Volume	$2,738,762	$4,408,290	$3,653,484
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 9.78%	+ 7.44%	+ 6.56%
Gross Sales	101.76%	101.40%	104.34%
Less: Total Deductions	1.76	1.40	4.34
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	69.05	73.67	74.08
Margin Before Purchase Rebate or Patronage Dividend	30.95	26.33	25.92
Purchase Rebate or Patronage Dividend	.04	.26	.29
Margin After Purchase Rebate or Patronage Dividend	30.99	26.60	26.21
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.43	1.93	2.47
Salaries/Wages — Other Employees	12.07	10.11	11.38
Federal and State Payroll Taxes	1.18	.91	1.24
Group Insurance	.69	.41	.66
Benefit Plans	.47	.70	.49
Total Payroll and Other Employee Expense	16.84	14.06	16.24
Occupancy Expense			
Heat, Light, Power, Water	.91	.45	.61
Building Repairs and Maintenance	.46	.40	.51
Rent or Ownership in Real Estate**	3.13	1.70	2.19
Total Occupancy Expense	4.50	2.55	3.31
Other Costs of Doing Business			
Advertising and Promotion	3.00	1.25	1.78
Insurance (Other Than Real Estate and Group)	.41	.81	.48
Taxes (Other Than Real Estate and Payroll)	.26	.41	.23
Interest (Other Than Real Estate)	.72	.70	.88
Depreciation (Other Than Real Estate)	.53	.86	.65
All Other Expenses	3.02	4.05	3.48
Total Other Costs of Doing Business	7.94	8.08	7.52
Total Operating Expenses	29.29	24.70	27.08
Operating Profit or Loss	1.71	1.90	- .87
Other Income	1.10	1.47	1.98
Net Operating Profit or Loss (Before Income Taxes)	2.80	3.37	1.11
Financial Performance			
Profit on Investment	10.48%	17.76%	7.26%
Active Owner's Return	19.54%	27.95%	23.46%
Current Asset Ratio	3.15x	2.37x	2.01x
Quick Asset Ratio	.86x	.98x	.80x
Total Debt to Tangible Net Worth	72.53%	105.43%	148.56%
Stock Turn Times	2.71x	4.59x	5.16x
Sales to Inventory Ratio	3.92x	6.23x	6.96x
Average Inventory per Sq. Ft. Sales Area	$40.84	$45.10	$32.38
Net Sales to Accounts Receivable	13.78x	10.24x	13.55x
Net Sales to Total Assets	2.17x	2.57x	2.64x
Net Sales to Net Worth	3.74x	5.27x	6.56x
Net Sales to Net Working Capital	2.87x	3.58x	4.29x
Other Operating Data			
Credit Sales — % Total Gross Sales	22.21%	67.68%	54.27%
Consumer Sales — % of Total Gross Sales	76.16%	39.51%	55.51%
Selling Area — Square Feet	20,147	14,798	14,415
Sales Per Square Foot — Selling Area	$135.94	$289.37	$253.45
Total Area — Square Feet	26,285	44,153	27,953
Sales Per Square Foot — Total Area	$104.20	$78.32	$118.29
Sales Per Person Employed	$110,971	$144,503	$122,583
Sales Per Customer	$8.92	$55.99	$35.99

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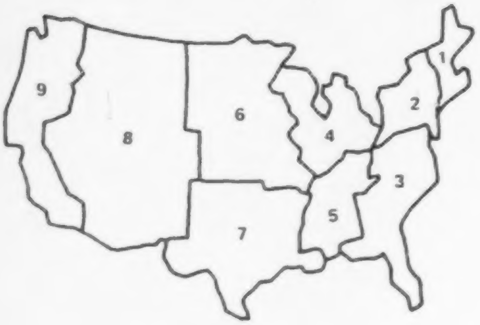
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

Income Statement Data	**1 New England**
Number of Stores	17
Net Sales Volume	$3,791,667
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+15.97%
Gross Sales	102.40%
Less: Total Deductions	2.40
Net Sales	100.00%
Cost of Goods Sold	70.22
Margin Before Purchase Rebate or Patronage Dividend	29.78
Purchase Rebate or Patronage Dividend	.07
Margin After Purchase Rebate or Patronage Dividend	29.85
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	2.25
Salaries/Wages — Other Employees	10.74
Federal and State Payroll Taxes	1.02
Group Insurance	.59
Benefit Plans	1.73
Total Payroll and Other Employee Expense	16.33
Occupancy Expense	
Heat, Light, Power, Water	.57
Building Repairs and Maintenance	.52
Rent or Ownership in Real Estate**	1.96
Total Occupancy Expense	3.05
Total Costs of Doing Business	
Advertising and Promotion	1.18
Insurance (Other than Real Estate and Group)	.88
Taxes (Other than Real Estate and Payroll)	.09
Interest (Other than Real Estate)	.94
Depreciation (Other than Real Estate)	.82
All Other Expenses	4.62
Total Other Costs of Doing Business	8.55
Total Operating Expense	27.93
Operating Profit or Loss	1.92
Other Income	.52
Net Operating Profit or Loss (Before Income Taxes)	2.44
Financial Performance	
Profit on Investment	38.62%
Active Owner's Return	74.26%
Current Asset Ratio	1.92x
Quick Asset Ratio	.68x
Total Debt to Tangible Net Worth	439.51%
Stock Turn Times	4.60x
Sales to Inventory Ratio	6.55x
Average Inventory Per Sq. Ft. Sales Area	$43.84
Net Sales to Accounts Receivable	12.95x
Net Sales to Total Assets	2.93x
Net Sales to Net Worth	15.82x
Net Sales to Net Working Capital	4.36x
Other Operating Data	
Credit Sales — % of Total Gross Sales	76.15%
Consumer Sales — % of Total Gross Sales	42.99%
Selling Area — Square Feet	13,904
Sales Per Square Foot — Selling Area	$272.70
Total Area — Square Feet	22,547
Sales Per Square Foot — Total Area	$168.17
Sales Per Person Employed	$146,124
Sales Per Customer	$14.31

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
10	24	49	10	23	8	14	11
$2,287,635	$3,931,569	$3,652,040	$2,954,251	$4,308,909	$3,684,799	$4,304,561	$3,690,451
+ 9.79%	+ 6.49%	+10.40%	+ 5.70%	+ 7.43%	- 9.15%	+ .44%	+13.42%
102.47%	101.19%	103.38%	103.05%	105.74%	100.43%	100.47%	102.74%
2.47	1.19	3.38	3.05	5.74	.43	.47	2.74
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
72.90	74.26	73.38	73.97	73.03	71.51	77.78	71.25
27.10	25.74	26.62	26.03	26.97	28.49	22.22	28.75
.64	.09	.24	.07	.44	.05	.49	.23
27.74	25.83	26.86	26.10	27.41	28.54	22.72	28.99
3.08	1.74	1.76	2.41	3.08	2.36	1.65	3.61
9.30	9.90	11.04	10.69	12.51	10.53	10.73	11.52
1.28	.45	1.18	1.64	1.23	1.09	1.34	1.41
.50	.25	.62	.36	.83	.30	.53	.79
1.13	.35	.40	.11	.51	.10	.31	.78
15.29	12.69	15.00	15.21	18.15	14.38	14.56	18.12
.50	.35	.72	.84	.61	.76	.49	.38
.88	.39	.51	1.17	.33	.29	.26	.29
2.26	2.07	2.51	1.94	1.84	2.29	1.49	2.08
3.64	2.81	3.74	3.95	2.78	3.34	2.24	2.75
1.68	.93	2.86	1.95	1.24	.97	1.22	1.60
.45	.77	.40	1.01	.47	1.11	.31	.90
.12	.72	.34	.34	.07	.38	.28	.20
1.33	.49	.63	.35	.96	.77	1.57	.42
.85	.80	.48	.53	.76	.00	.84	1.04
4.39	3.44	3.45	3.21	2.42	4.50	4.12	4.17
8.82	7.15	8.16	7.39	6.43	7.73	8.34	8.33
27.76	22.65	26.91	26.57	27.37	26.46	25.12	29.20
- .02	3.18	- .04	- .47	.04	2.08	-2.41	- .21
1.61	.90	1.51	2.23	2.15	1.77	1.68	4.24
1.59	4.09	1.47	1.75	2.19	3.85	- .73	4.03
17.68%	17.92%	8.10%	8.21%	13.92%	11.17%	-6.41%	15.24%
51.96%	25.54%	17.76%	19.51%	33.50%	18.02%	8.05%	28.92%
1.73x	2.92x	2.18x	3.02x	2.20x	2.90x	1.93x	2.72x
.66x	1.29x	.78x	.97x	.78x	1.04x	.80x	1.33x
314.74%	63.03%	106.22%	78.09%	121.36%	37.50%	372.50%	59.50%
4.46x	5.07x	4.11x	4.05x	4.96x	3.81x	4.82x	4.62x
6.12x	6.83x	5.60x	5.47x	6.79x	5.33x	6.20x	6.49x
$32.89	$35.07	$43.50	$29.64	$39.39	$41.96	$40.76	$32.09
10.52x	10.07x	12.10x	16.70x	14.80x	15.54x	11.30x	9.86x
2.68x	2.69x	2.67x	2.63x	2.88x	2.11x	1.85x	2.37x
11.14x	4.38x	5.50x	4.68x	6.37x	2.90x	8.76x	3.79x
3.67x	3.49x	3.76x	3.71x	4.20x	3.42x	3.73x	3.50x
46.31%	83.73%	33.34%	38.21%	64.96%	76.53%	70.88%	35.19%
43.69%	37.38%	68.67%	64.58%	41.62%	44.70%	47.61%	53.27%
11,600	15,071	17,127	18,800	15,000	16,438	14,160	13,227
$197.21	$260.87	$213.23	$157.14	$287.26	$224.17	$303.99	$227.81
33,460	49,292	30,167	36,930	32,387	45,313	31,428	20,185
$68.37	$49.29	$112.56	$80.00	$97.96	$81.32	$136.97	$143.58
$115,876	$133,816	$128,464	$136,401	$105,854	$144,598	$117,703	$138,109
$26.00	$97.24	$16.71	$36.64	$32.11	$51.25	$39.05	$29.88

Number of Stores

Income Statement Data	Single Store Business	2-4 Stores	5 Stores Or More
Number of Stores	74	34	59
Net Sales Volume	$3,817,505	$4,540,108	$3,211,421
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 7.98%	+ 6.90%	+ 6.97%
Gross Sales	102.31%	102.89%	103.55%
Less: Total Deductions	2.31	2.89	3.55
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.89	72.07	75.14
Margin Before Purchase Rebate or Patronage Dividend	27.11	27.93	24.86
Purchase Rebate or Patronage Dividend	.32	.19	.19
Margin After Purchase Rebate or Patronage Dividend	27.43	28.13	25.05
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.79	1.74	1.76
Salaries/Wages — Other Employees	10.53	12.62	10.19
Federal and State Payroll Taxes	1.24	1.16	.87
Group Insurance	.52	.71	.52
Benefit Plans	.41	1.20	.30
Total Payroll and Other Employee Expense	15.48	17.43	13.63
Occupancy Expense			
Heat, Light, Power, Water	.53	.59	.66
Building Repairs and Maintenance	.47	.46	.43
Rent or Ownership in Real Estate**	2.14	2.16	2.03
Total Occupancy Expense	3.14	3.21	3.12
Other Costs of Doing Business			
Advertising and Promotion	1.59	1.40	2.11
Insurance (Other Than Real Estate or Group)	.75	.49	.48
Taxes (Other Than Real Estate or Payroll)	.37	.07	.41
Interest (Other Than Real Estate)	.75	.72	.90
Depreciation (Other Than Real Estate)	.84	.62	.63
All Other Expenses	3.95	3.18	3.68
Total Other Costs of Doing Business	8.25	6.48	8.21
Total Operating Expenses	26.86	27.13	24.97
Operating Profit or Loss	.56	1.00	.08
Other Income	1.77	1.54	1.68
Net Operating Profit or Loss (Before Income Taxes)	2.34	2.55	1.76
Financial Performance			
Profit on Investment	10.55%	19.52%	11.11%
Active Owner's Return	23.13%	32.89%	22.18%
Current Asset Ratio	2.47x	2.02x	2.25x
Quick Asset Ratio	1.02x	.72x	.81x
Total Debt to Tangible Net Worth	87.62%	167.37%	148.28%
Stock Turn Times	4.18x	5.07x	4.59x
Sales to Inventory Ratio	5.73x	7.04x	6.10x
Average Inventory Per Sq. Ft. Sales Area	$40.53	$31.56	$42.35
Net Sales to Accounts Receivable	9.85x	15.29x	14.00x
Net Sales to Total Assets	2.41x	2.87x	2.54x
Net Sales to Net Worth	4.51x	7.67x	6.30x
Net Sales to Net Working Capital	3.40x	4.41x	3.93x
Other Operating Data			
Credit Sales — % of Total Gross Sales	56.63%	63.73%	43.10%
Consumer Sales — % of Total Gross Sales	48.74%	47.30%	58.67%
Selling Area — Square Feet	15,899	18,824	12,797
Sales per Square Foot — Selling Area	$233.78	$241.19	$250.95
Total Area — Square Feet	37,068	61,074	13,106
Sales per Square Foot — Total Area	$95.23	$74.34	$164.62
Sales per Person Employed	$128,357	$130,927	$128,719
Sales per Customer	$30.84	$11.70	$27.49

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Figures may not add to totals indicated because of rounding

Store Orientation

Income Statement Data	**Contractor Oriented**	**Consumer Oriented**
Number of Stores	52	112
Net Sales Volume	$5,513,761	$2,913,064
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 4.90%	+ 9.19%
Gross Sales	101.95%	103.67%
Less: Total Deductions	1.95	3.67
Net Sales	100.00%	100.00%
Cost of Goods Sold	73.95	72.85
Margin Before Purchase Rebate or Patronage Dividend	26.05	27.15
Purchase Rebate or Patronage Dividend	.17	.32
Margin After Purchase Rebate or Patronage Dividend	26.22	27.46
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	1.93	2.48
Salaries/Wages — Other Employees	11.19	10.70
Federal and State Payroll Taxes	.93	1.27
Group Insurance	.57	.57
Benefit Plans	.77	.39
Total Payroll and Other Employee Expense	15.39	15.41
Occupancy Expense		
Heat, Light, Power, Water	.40	.75
Building Repairs and Maintenance	.35	.56
Rent or Ownership in Real Estate**	1.84	2.36
Total Occupancy Expense	2.59	3.67
Other Costs of Doing Business		
Advertising and Promotion	.98	2.35
Insurance (Other Than Real Estate or Group)	.62	.59
Taxes (Other Than Real Estate or Payroll)	.33	.29
Interest (Other Than Real Estate)	.77	.80
Depreciation (Other Than Real Estate)	.78	.67
All Other Expenses	3.74	3.59
Total Other Costs of Doing Business	7.20	8.28
Total Operating Expenses	25.18	27.36
Operating Profit or Loss	1.04	.10
Other Income	1.44	1.90
Net Operating Profit or Loss (Before Income Taxes)	2.48	2.00
Financial Performance		
Profit on Investment	16.81%	9.72%
Active Owner's Return	29.91%	21.77%
Current Asset Ratio	2.08x	2.50x
Quick Asset Ratio	.93x	.82x
Total Debt to Tangible Net Worth	163.58%	91.15%
Stock Turn Times	5.34x	3.95x
Sales to Inventory Ratio	7.23x	5.43x
Average Inventory Per Sq. Ft. Sales Area	$42.83	$37.20
Net Sales to Accounts Receivable	10.04x	15.17x
Net Sales to Total Assets	2.57x	2.55x
Net Sales to Net Worth	6.78x	4.87x
Net Sales to Net Working Capital	3.88x	3.72x
Other Operating Data		
Credit Sales — % of Total Gross Sales	73.69%	36.27%
Consumer Sales — % of Total Gross Sales	30.35%	69.71%
Selling Area — Square Feet	15,892	15,287
Sales per Square Foot — Selling Area	$346.96	$190.56
Total Area — Square Feet	47,558	27,207
Sales per Square Foot — Total Area	$98.85	$96.00
Sales per Person Employed	$146,393	$118,037
Sales per Customer	$78.38	$18.38

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Leading Publicly-Held Companies

Income Statement Data	**Payless Cashways**	**Lowe's**	**Hechinger**	**Home Depot**	**Scotty's**
Number of Outlets	194	295	71[2]	75	141
Net Sales Volume[1] (millions)	$1,768.1	$2,442.2	$725.1	$1,453.7	$515.3
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	69.3	76.1	72.9	72.7	69.0
Gross Margin	30.7	23.9	27.1	27.8	31.0
Expenses					
Selling/General/Administrative	24.9	17.8	19.4	21.0	24.6
Depreciation	2.0	1.6	NA	NA	2.5
Interest	1.0	.8	1.9	0.2	1.2
Total	27.9	20.2	21.3	21.2	28.3
Balance Sheet Data					
Total Dollar Assets (millions)	$309.0	$1,027.3	$579.4	$528.3	$305.5
Current Assets					
Cash	1.4	4.3	44.0	4.8	1.2
Accounts Receivable	1.5	11.5	9.6	2.9	7.5
Inventory	37.9	36.4	23.0	40.0	37.3
Other Current Assets	2.2	1.6	1.7	1.0	.7
Total Current Assets	43.0	53.8	78.3	48.7	46.7
Fixed Assets					
Land, Building, Lease, etc.	54.7	39.2[3]	12.4[4]	39.3	47.2
Furniture, Fixtures, Equipment	13.1	18.0	11.9	11.3	24.9
Depreciation	-15.6	-13.1	- 7.9	- 4.3	-19.2
Other Fixed Assets	4.8	2.1	5.3	5.0	.4
Total Fixed Assets	57.0	46.2	21.7	51.3	53.3
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%
Current Liabilities					
Notes Payable	6.0	1.1	.1	NA	3.7
Accounts Payable	12.4	15.3	13.7	17.8	19.1
Other Current Liabilities	9.6	6.2	NA	10.0	NA
Total Current Liabilities	28.0	22.6	13.8	27.8	22.8
Long Term Liabilities	25.4	20.7	31.0	11.5	20.6
Total Liabilities	53.4	43.3	44.8	39.3	43.4
Net Worth	46.6	56.7	55.2	60.7	56.6
Total Liabilities and Net Worth	100.0%	100.0%	100.0%	100.0%	100.0%
Financial Performance					
Gross Margin Return on Investment	$1.76	$1.56	$1.47	$1.91	$1.40
Net Profit (Before Tax) to Net Sales	2.85%	3.72%	5.85%	6.52%	2.65%
Net Profit (Before Tax) to Net Worth	13.29%	15.58%	13.23%	29.58%	7.93%
Return on Net Worth	13.29%	15.59%	13.25%	29.58%	7.91%
Total Assets to Net Worth	2.15x	1.76x	1.81x	1.65x	1.77x
Net Sales to Total Assets	2.17x	2.38x	1.25x	2.75x	1.69x
Net Sales to Inventory	5.72x	6.53x	5.44x	6.88x	4.52x
Other Operating Data					
Sales Per Square Foot — Selling Area	$324.21	$513.00	NA	$235.94	$108.84
Inventory Per Square Foot — Selling Area	$56.59	$78.31	NA	$34.32	$23.28
Sales Per Person Employed	$111,274	$165,449	$75,512	$159,742	$81,751
Sales Per Customer	$31.94	$59.95	NA	$30.24	$18.55

[1] Exclusive of Interest Income on Other Income

[2] Does not include seven Home-Quarters stores acquired in 1987

[3] Less depreciation

[4] Includes Property/Furniture/Equipment

Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware $\frac{15.0}{95.0} = 15.8\%$

Hand Tools $\frac{10.0}{95.0} = 10.5\%$

Paint & Home Decorating $\frac{20.0}{95.0} = 21.1\%$

Building Materials $\frac{50.0}{95.0} = 52.6\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 2.10 which means $2.10 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

	Handling Firms Only					Average Home Center Profile		
Department	% Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	% of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	6.5	12.9	8.9	160.20	6.5	12.9	8.8
Hand Tools	100.0	2.7	4.1	3.7	190.58	2.6	3.9	3.3
Power Tools & Accessories	100.0	2.4	4.4	3.8	189.24	2.3	4.3	3.5
Plumbing, Heating & Cooling	100.0	5.4	7.7	7.5	191.83	5.4	8.0	7.5
Electrical Supplies	100.0	3.6	6.4	5.5	175.49	3.6	6.4	5.5
Paint & Home Decorating	100.0	5.4	10.3	7.1	159.63	5.4	10.3	7.1
Lumber	92.6	32.7	11.4	25.1	748.85	31.7	11.2	23.9
Building Materials	95.3	26.0	15.6	21.3	473.34	24.8	15.1	20.5
Lawn & Garden	89.2	5.5	9.5	5.7	152.86	4.4	8.2	4.4
Housewares	58.1	3.4	10.0	5.3	82.71	1.5	5.7	2.5
Automotive Supplies	50.7	5.5	3.2	5.0	84.46	1.9	1.6	2.0
Major Appliances & Home Entertainment	23.0	2.8	2.6	5.1	263.43	.5	.6	1.7
Sporting Goods & Outdoor Living	31.1	2.6	2.8	2.8	162.91	.5	1.4	.7
Miscellaneous Goods	72.3	10.9	11.8	10.0	263.13	9.1	10.5	9.2
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	38.3	4.5	1.73
Hand Tools	32.7	4.7	1.55
Power Tools & Accessories	29.1	4.2	1.22
Plumbing, Heating & Cooling	36.2	4.0	1.44
Electrical Supplies	37.3	3.7	1.38
Paint & Home Decorating	33.2	4.8	1.59
Lumber	24.0	8.5	2.02
Building Materials	26.2	7.8	2.04
Lawn & Garden	31.5	5.5	1.74
Housewares	31.2	3.8	1.17
Automotive Supplies	29.3	6.9	2.01
Major Appliances & Home Entertainment	18.4	2.5	.45
Sporting Goods & Outdoor Living	27.9	4.2	1.17
Miscellaneous Goods	33.8	7.3	2.46

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment: gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Before Making Critical Planning Decisions

Ask The Right Questions!

QUESTIONS:

Market Potential? How much Do-It-Yourself potential is in my trading area? Will the market grow or decline? How fast? Is the market in a transition?

Future Markets? What additional market opportunities are there? Where are they? What size are the markets? Which ones offer the greatest potential?

Expansion? Should I expand? Should I reformat? What size should I be? What sales increase will there be? What product assortment should be offered?

Site Location? How good is my site? Should I relocate? Where? What changes should I make if I do? What can I afford?

Image? What image do I have with my current customers? My non-customers? What are my strengths? What do I do poorly? Who are my competitors? Why do my customers patronize a particular store? For what products? What do my customers really want out of a Do-It-Yourself store?

Market Saturation? How saturated is my market? What is my market share? What market share do my competitors have? Can I increase my market share? How much? What must be done to do so?

Advertising? Is my advertising reaching my market? What is the message to the consumer? What method and media should I use? Should I increase my ad budget? Am I properly positioning the store in both price and product?

NRHA

ANSWERS

The Retail Research Department of the National Retail Hardware Association and Home Center Institute specializes in providing answers to these and other marketing questions. Over fifteen years in analyzing the hardlines industry enables us to provide marketing consultation, experience and research unavailable from other sources.

When making critical planning decisions, we can help.

Contact the Retail Research Department of NRHA or your local State or Regional Affiliated Hardware Association.

☐ **YES!** **I NEED THE ANSWERS!**

Please send Market Planning information on these areas:

- ☐ Trade Area Analysis
- ☐ Market Location Analysis
- ☐ Consumer Research
- ☐ Customer Surveys

Name ____________________

Company ____________________

Address ____________________

City/State/Zip ____________________

Mail To:
Mr. Greg Venable

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
or call (317) 248-1261

Participate Through Your Trade Association

Join The Home Center Institute

The Home Center Institute serves the Home Center Retailing Industry through five councils, set up to address various operating and legislative issues common to the members:

Executive Advisory Council
Safety Action Council
Loss Prevention Council
Training Manager's Council
Washington Council

Other Councils or Committees are set up on an ad hoc basis to cover major issues as they occur (i.e. bar coding and Electronic Data Interchange, etc.)

As a member of the Home Center Institute, you are informed on industry issues and, more importantly, you are in a position to effect and direct changes as they are needed.

- **INFORMATION** through trade publications, member newsletters, council meetings and conferences.
- **EDUCATION** through video libraries, book clubs, correspondence courses and access to trade library.
- **LEGISLATION** through our Washington Advisory Council and lobbyists working in concert.

If you are not currently a member, we invite you to join by sending in the following request for membership information.

Yes. Send me information on membership in the Home Center Institute:

Firm Name ______________________________

Address ______________________________

City/State/Zip ______________________________

Telephone No. (____) ______________________

All Home Center Institute information and services should be sent to:

Name ______________________________

Title ______________________________

Number of retail outlets operated by company ______________________________

Approximate total sales volume annually:
____Under $ 10 million
____$10 million - 25 million
____$25 million - 50 million
____$50 million - 75 million
____$75 million - 100 million
____$100 million - 200 million
____$200 million - 500 million
____$500 million - 1 billion
____Over $1 billion

NRHA

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Mountain States Hardware and Implement Association: John R. Zapor, 1380 Carr St., Lakewood, Colo. 80215 *(303) 233-2101*

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Southwest Association: Allen E. Murfin, 4629 Mark IV Parkway, Ft. Worth, Texas 76106 *(817) 625-5562*

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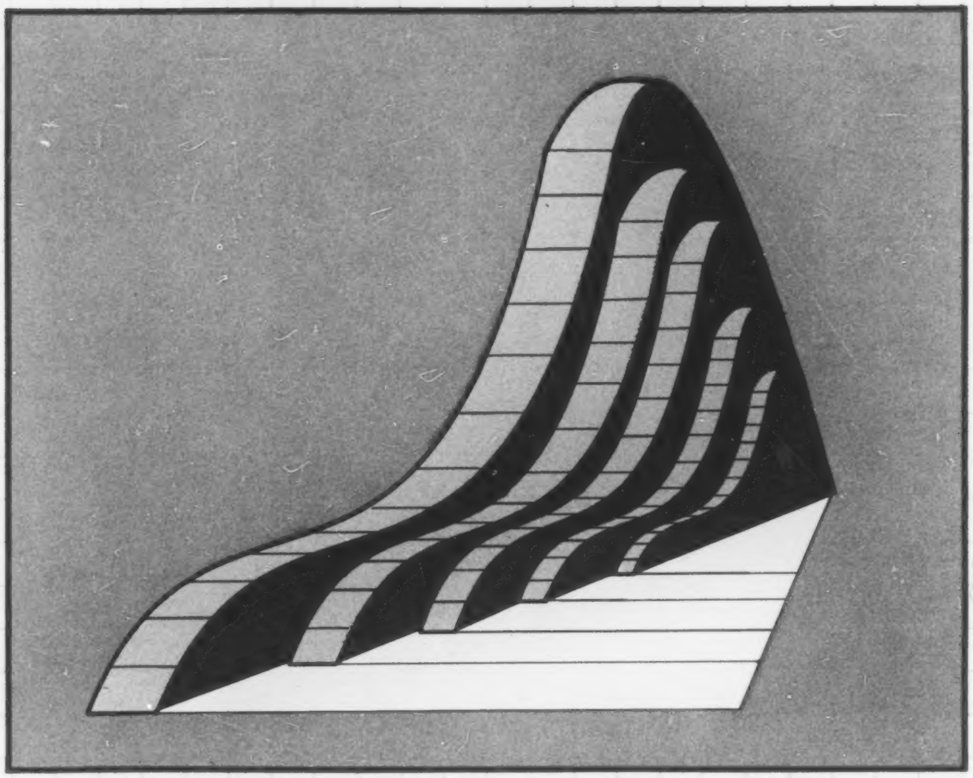

Detailed Cost-of-Doing Business Data
For D-I-Y Lumber Outlets.

National
Retail Hardware
Association

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NRHA
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Introduction

THE PROFIT REPORT

The 1988 Profit Report presents financial operating data for consumer oriented lumber and building materials retailers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives:

- To assess financial performance of lumber/building materials operations in 1987
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling lumber/ building materials retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail lumber/building material industry.

Four Major Sections

The Profit Report is divided into four major sections: Historical Trends for 1983 through 1987; The Strategic Profit Model; Average Operating Results for 1987; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Profit Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail lumber/ building materials outlets. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average outlet. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Outlet

Many factors influence a lumber/ building materials outlet's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Geographical Region
—Number of Outlets
—Outlet Orientation

Methodology

The Profit Report is made possible only through the cooperation of the retail lumber/building materials men and women who provide detailed information on their operations. Questionnaires were sent to lumber/ building materials operators in February, 1988. Four hundred and ninety-two usable returns were received by June 15, 1988 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by an independent data processing firm.

As thanks for their participation, each lumber/building materials operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor size and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to the The Profit Report are The Management Report for retail hardware stores and The Bottom Line for home centers.

For Assistance

Assistance and aid in interpreting The 1988 Profit Report may be obtained from your regional Hardware Association or the National Retail Hardware Association.

Historical Trends

Income Statement Data	ALL DIY LUMBER OUTLETS FISCAL YEAR 1987	1986	1985	1984	1983
Net Sales Volume	$2,776,269	$1,993,028	$2,069,693	$1,680,266	$1,243,862
Gross Sales	102.24%	102.41%	102.03%	101.87%	102.27%
Less: Total Deductions	2.24	2.41	2.03	1.87	2.27
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.19	74.31	74.50	74.37	73.99
Margin Before Purchase Rebate or Patronage Dividend	24.81	25.69	25.50	25.63	26.01
Purchase Rebate or Patronage Dividend	.11	.14	.14	.14	.16
Margin After Purchase Rebate or Patronage Dividend	24.92	25.83	25.64	25.77	26.17
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.66	2.87	2.98	3.84	3.79
Salaries/Wages — Other Employees	8.94	9.57	9.08	8.23	8.89
Federal and State Payroll Taxes	1.02	1.08	.96	1.01	1.00
Group Insurance	.38	.44	.46	.56	.59
Benefit Plans	.71	.68	.51	.47	.50
Total Payroll and Other Employee Expense	13.71	14.65	13.99	14.11	14.77
Occupancy Expense					
Heat, Light, Power, Water	.37	.48	.40	.45	.43
Building Repairs and Maintenance	.27	.22	.11	.34	.31
Rent or Ownership in Real Estate**	1.47	1.58	1.83	1.89	2.01
Total Occupancy Expense	2.12	2.28	2.34	2.68	2.75
Other Costs of Doing Business					
Advertising and Promotion	.88	1.09	.95	.79	1.01
Insurance (Other than Real Estate or Group)	.72	.64	.60	.48	.49
Taxes (Other than Real Estate and Payroll)	.32	.34	.30	.29	.39
Interest (Other than Real Estate)	.88	.96	.90	1.13	1.11
Depreciation (Other than Real Estate)	.74	.72	.70	.67	.71
All Other Expenses	3.73	3.56	4.48	3.60	3.72
Total Other Costs of Doing Business	7.26	7.31	7.93	6.96	7.43
Total Operating Expenses	23.09	24.24	24.26	23.75	24.95
Operating Profit or Loss	1.83	1.60	1.38	2.02	1.22
Other Income	2.05	1.71	1.81	1.58	1.92
Net Operating Profit or Loss (Before Income Taxes)	3.88	3.31	3.19	3.60	3.14
Financial Performance					
Profit on Investment	19.20%	15.60%	14.78%	15.99%	13.81%
Active Owner's Return	32.38%	29.15%	28.57%	33.01%	30.51%
Current Asset Ratio	2.57x	2.96x	2.51x	2.62x	2.68x
Quick Asset Ratio	1.31x	1.42x	1.23x	1.27x	1.16x
Total Debt to Tangible Net Worth	90.25%	82.93%	80.57%	83.69%	99.75%
Stock Turn Times	5.30x	4.73x	5.05x	4.56x	3.99x
Sales to Inventory Ratio	7.05x	6.36x	6.77x	6.13x	5.39x
Average Inventory per Sq. Ft. Sales Area	$69.86	$56.57	$93.23	$83.66	$93.64
Net Sales to Accounts Receivable	8.78x	10.70x	9.39x	9.27x	9.84x
Net Sales to Total Assets	2.60x	2.58x	2.56x	2.41x	2.20x
Net Sales to Net Worth	4.95x	4.72x	4.62x	4.44x	4.40x
Net Sales to Net Working Capital	3.57x	3.41x	5.68x	5.03x	4.60x
Other Operating Data					
Credit Sales — % of Total Gross Sales	75.53%	71.16%	69.95%	76.14%	67.60%
Consumer Sales — % of Total Gross Sales	34.97%	40.61%	45.49%	54.36%	55.68%
Selling Area — Square Feet	5,650	5,341	4,273	4,208	3,989
Sales Per Square Foot — Selling Area	$424.96	$347.23	$448.70	$409.61	$311.82
Total Area — Square Feet	22,941	20,243	16,321	17,598	18,550
Sales Per Square Foot — Total Area	$102.51	$87.28	$138.17	$85.39	$67.05
Sales Per Person Employed	$165,055	$144,238	$131,436	$138,073	$110,591
Sales Per Customer	$58.14	$59.22	$87.52	$67.78	$71.45

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1987	1986	1985	1984	1983	1987	1986	1985	1984	1983
Hardware	6.2%	5.4%	7.8%	9.6%	9.6%	$153.92	$129.61	$136.03	$138.64	$162.07
Hand Tools	2.1	1.7	2.4	2.0	2.3	114.52	126.80	126.86	143.07	134.79
Power Tools & Accessories	2.2	1.4	1.5	1.7	1.8	129.51	139.12	157.69	144.61	125.14
Plumbing, Heating & Cooling	2.1	2.4	3.8	5.0	4.7	155.44	131.30	156.64	198.75	222.30
Electrical Supplies	2.3	1.6	2.4	3.4	3.0	146.02	138.15	149.06	177.62	176.09
Paint & Home Decorating	5.8	5.6	6.2	5.9	6.3	173.02	136.64	172.86	174.12	168.93
Lumber	44.9	39.7	34.5	32.6	32.5	1,113.03	1,237.46	986.83	769.24	796.75
Building Materials	25.4	38.3	31.4	33.3	32.7	505.66	833.91	719.64	606.85	405.29
Lawn & Garden	1.3	1.0	1.6	1.3	1.5	186.86	172.61	130.32	175.27	173.68
Housewares	.2	.3	.4	.6	.4	75.25	94.52	95.61	92.33	156.68
Automotive Supplies	.1	.1	.1	.1	.1	137.83	98.65	98.13	133.28	112.92
Major Appliances & Home Entertainment	.9	.1	.5	1.0	.7	284.40	81.24	116.51	65.30	112.87
Sporting Goods & Outdoor Living	.1	.1	.8	.2	.3	149.92	NA	NA	97.67	162.96
Miscellaneous Goods	6.5	2.3	6.6	3.3	4.1	1,099.17	207.68	161.27	173.25	434.53

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1987	1986	1985	1984	1983	1987	1986	1985	1984	1983
Hardware	5.1x	4.3x	3.8x	3.4x	3.4x	$1.90	$1.66	$1.43	$1.13	$1.12
Hand Tools	5.0	4.2	4.1	4.0	3.6	1.73	1.48	1.44	1.22	1.12
Power Tools & Accessories	4.9	3.7	4.1	3.8	4.0	1.48	1.19	1.28	.94	1.13
Plumbing, Heating & Cooling	3.8	3.5	3.9	4.1	3.6	1.32	1.24	1.32	1.24	.99
Electrical Supplies	4.7	4.0	3.7	5.2	3.3	1.64	1.49	1.32	1.72	1.10
Paint & Home Decorating	4.7	4.4	4.2	4.5	3.8	1.65	1.52	1.45	1.34	1.21
Lumber	6.5	8.8	7.3	6.5	6.5	1.61	2.05	1.73	1.56	1.65
Building Materials	6.5	8.2	7.5	7.1	6.1	1.71	2.21	1.98	1.98	1.66
Lawn & Garden	5.4	5.0	4.9	5.0	3.8	1.67	1.58	1.64	1.33	1.14
Housewares	3.1	2.0	3.7	2.3	2.3	1.04	.56	1.21	.52	.54
Automotive Supplies	3.8	5.1	3.0	2.3	2.1	1.34	1.37	.87	.68	.71
Major Appliances & Home Entertainment	5.3	3.0	4.7	2.6	4.1	.90	.39	.96	.69	1.04
Sporting Goods & Outdoor Living	7.2	2.9	NA	2.6	3.9	2.37	.91	NA	.73	.83
Miscellaneous Goods	7.0	8.8	6.3	8.0	4.4	2.14	2.78	1.76	2.16	1.25

**Average DIY Lumber Outlet.

Monthly Sales

Month	1987	1986	1985	1984	1983
January	5.9	5.7	6.2	6.1	5.7
February	6.0	5.1	5.6	5.8	5.3
March	7.0	6.3	7.0	6.7	6.6
April	8.3	8.3	8.8	8.2	8.0
May	9.0	9.5	9.8	9.9	9.4
June	10.1	9.3	9.4	10.1	10.1
July	10.3	10.1	9.3	9.2	9.4
August	9.8	10.0	9.2	9.1	9.3
September	9.7	10.1	8.5	8.5	8.9
October	9.4	10.3	9.0	8.8	9.1
November	7.7	8.2	8.4	8.5	8.6
December	6.8	7.1	8.8	9.1	9.6

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin
Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover
Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

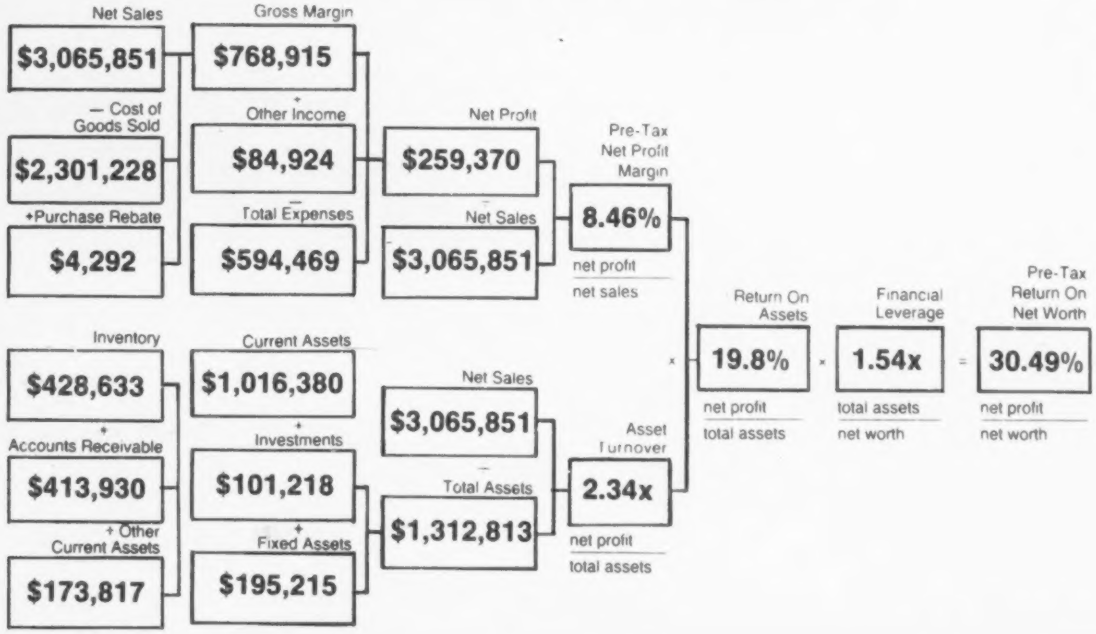
Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage
The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Outlets


Net Sales
$3,065,851
— Cost of Goods Sold
$2,301,228
+Purchase Rebate
$4,292
Gross Margin
$768,915
+
Other Income
$84,924
—
Total Expenses
$594,469
Net Profit
$259,370
—
Net Sales
$3,065,851
Pre-Tax Net Profit Margin
8.46%
net profit
net sales
Inventory
$428,633
+
Accounts Receivable
$413,930
+ Other Current Assets
$173,817
Current Assets
$1,016,380
+
Investments
$101,218
+
Fixed Assets
$195,215
Net Sales
$3,065,851
—
Total Assets
$1,312,813
Asset Turnover
2.34x
net profit
total assets
x
Return On Assets
19.8%
net profit
total assets
x
Financial Leverage
1.54x
total assets
net worth
=
Pre-Tax Return On Net Worth
30.49%
net profit
net worth

Highlights

Type of DIY Lumber Outlet	1987 Net Sales ($)	Sales Increase Over 1986* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All DIY Lumber Outlets	2,776,269	+11.47	24.92	3.88	19.20	5.30
Low Profit	2,001,710	+ 5.86	24.30	- .75	- 5.22	4.54
High Profit	3,065,851	+14.72	25.08	8.46	30.46	5.43
Sales Volume Size						
Under $1,000,000	579,209	+ 2.43	28.69	2.55	8.63	2.86
$1,000,000 to $1,999,999	1,389,571	+ 6.44	25.44	2.99	12.24	4.01
$2,000,000 or more	4,686,369	+13.07	24.61	4.13	21.89	5.93
Sales Floor Size						
Under 3,000 Sq. Ft.	3,010,154	+17.24	25.49	4.00	21.90	7.62
3,000 to 4,999 Sq. Ft.	1,876,295	+ 7.98	22.42	2.31	14.33	5.17
5,000 Sq. Ft. or more	2,916,303	+11.13	25.64	4.19	18.99	4.94
Trade Area Size						
M.S.A. - Central City	2,899,912	+ 9.40	24.83	3.22	16.55	5.33
M.S.A. - Suburban	7,332,991	+16.66	26.28	5.57	33.64	9.00
Cities - 10,000 to 50,000	3,517,693	+12.28	24.16	4.47	20.91	5.12
Towns Under 10,000	2,049,215	+10.20	24.87	3.28	15.37	4.70
Outlet Location: Part I						
Downtown	2,046,179	+10.58	25.17	3.26	15.51	5.16
Suburban	3,478,541	+12.65	25.06	4.29	21.66	5.77
Rural	2,230,436	+ 9.14	24.35	3.44	17.37	4.62
Outlet Location: Part II						
Shopping Centers	1,920,053	+ 8.95	24.54	3.79	19.74	4.73
Free-Standing — No Stores Adjacent	2,930,716	+13.93	24.88	4.48	21.66	5.44
Free-Standing — Stores Nearby	2,453,259	+ 7.77	25.15	2.94	15.40	5.04
Outlet Orientation:						
Consumer-Oriented	4,248,186	+13.54	24.34	3.89	21.15	6.11
Contractor-Oriented	1,499,331	+ 6.86	26.91	3.45	14.47	4.03

*As reported by The Profit Report contributors.

Monthly Sales

	%
January	5.9
February	6.0
March	7.0
April	8.3
May	9.0
June	10.1
July	10.3
August	9.8
September	9.7
October	9.4
November	7.7
December	6.8

All Outlets

Income Statement Data	**All DIY Lumber Outlets**	**Low† Profit Outlets**	**High†† Profit Outlets**
Number of Outlets	492	117	120
Net Sales Volume	$2,776,269	$2,001,710	$3,065,851
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+11.47%	+ 5.86%	+14.72%
Gross Sales	102.24%	102.78%	101.87%
Less: Total Deductions	2.24	2.78	1.87
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.19	75.86	75.06
Margin Before Purchase Rebate or Patronage Dividend	24.81	24.14	24.94
Purchase Rebate or Patronage Dividend	.11	.16	.14
Margin After Purchase Rebate or Patronage Dividend	24.92	24.30	25.08
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.66	2.88	2.38
Salaries/Wages — Other Employees	8.94	9.93	7.57
Federal and State Payroll Taxes	1.02	1.16	.90
Group Insurance	.38	.57	.38
Benefit Plans	.71	.58	.79
Total Payroll and Other Employee Expense	13.71	15.12	12.02
Occupancy Expense			
Heat, Light, Power, Water	.37	.49	.27
Building Repairs and Maintenance	.27	.32	.19
Rent or Ownership in Real Estate**	1.47	1.90	1.18
Total Occupancy Expense	2.12	2.71	1.65
Other Costs of Doing Business			
Office Supplies and Postage	.38	.48	.30
Advertising and Promotion	.88	1.08	.70
Donations	.06	.04	.06
Telephone and Telegraph	.23	.33	.20
Bad Debts	.44	.58	.32
Credit Card Expense (Bank Charges)	.04	.11	.03
Delivery (Other than Wages)	.82	.82	.69
Leasing Expenses (Non-Occupancy)	.07	.20	.01
Insurance (Other than Real Estate and Group)	.72	.87	.64
Taxes (Other than Real Estate and Payroll)	.32	.39	.29
Interest (Other than Real Estate)	.88	1.58	.58
Depreciation (Other than Real Estate)	.74	.73	.61
Store and Shop Supplies	.16	.27	.09
Legal and Accounting	.29	.40	.21
Computer Services and Expenses (Other than Wages)	.13	.13	.10
Dues and Subscriptions	.06	.07	.04
Travel, Buying, Entertainment	.19	.27	.12
Miscellaneous Services (Laundry, Disposal, Etc.)	.10	.05	.10
Unclassified Expenses	.76	.58	.63
Total Other Costs of Doing Business	7.26	8.98	5.72
Total Operating Expenses	23.09	26.81	19.39
Operating Profit or Loss	1.83	-2.51	5.69
Other Income	2.05	1.76	2.77
Net Operating Profit or Loss (Before Income Taxes)	3.88	- .75	8.46

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

All Outlets

Balance Sheet Data	DIY Lumber Outlets	Low Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$1,066,832	$817,116	$1,312,813
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.65	2.63	10.18
Notes and Installment Contracts Receivable	.89	.85	.75
Accounts Receivable	29.62	26.04	31.53
Merchandise Inventory (End of Year)	37.47	41.87	32.65
Other Current Assets	1.67	1.63	2.31
Total Current Assets	76.31	73.02	77.42
Stocks and Bonds	1.06	1.16	1.56
Real Estate (Not Used In Business)	.90	1.12	.71
Other Investments	4.28	4.03	5.43
Total Investments	6.25	6.31	7.71
Land (Owned and Used In Business)	3.20	3.05	3.73
Buildings (Owned and Used In Business Less Depreciation)	5.85	8.33	4.73
Leasehold Improvements (Less Amortization Allowance)	1.05	1.80	1.22
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	2.59	3.15	1.76
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.70	2.43	2.34
Other Fixed Assets	2.04	1.90	1.20
Total Fixed Assets	17.44	20.67	14.87
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.49	14.65	9.63
Current Portion of Notes Payable	8.51	14.03	5.42
Accrued Payroll Taxes	.59	.66	.39
Accrued Other Taxes	1.72	.72	2.42
Other Accrued Expenses	3.01	2.08	4.58
Other Current Liabilities	3.33	6.02	1.74
Total Current Liabilities	29.66	38.16	24.17
Notes Due Partners/Officers	2.08	3.27	.76
Mortgage Payable	2.31	3.60	.25
Long Term Debt	11.75	17.02	8.43
Other Long Term Liabilities	1.65	2.57	1.55
Total Long Term Liabilities	17.78	26.46	10.99
Total Liabilities	47.44	64.62	35.15
Net Worth	52.56	35.38	64.85
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	19.20%	- 5.22%	30.46%
Active Owner's Return	32.38%	14.70%	39.01%
Current Asset Ratio	2.57x	1.91x	3.20x
Quick Asset Ratio	1.31x	.82x	1.85x
Total Debt to Tangible Net Worth	90.25%	182.65%	54.21%
Stock Turn Times	5.30x	4.54x	5.43x
Sales to Inventory Ratio	7.05x	5.98x	7.23x
Average Inventory per Sq. Ft. Sales Area	$69.86	$65.17	$78.14
Net Sales to Accounts Receivable	8.78x	9.41x	7.41x
Net Sales to Total Assets	2.60x	2.45x	2.34x
Net Sales to Net Worth	4.95x	6.92x	3.60x
Net Sales to Net Working Capital	3.57x	3.66x	3.09x

Other Operating Data

Credit Sales — % of Total Gross Sales	75.53%	82.51%	71.05%
Consumer Sales — % of Total Gross Sales	34.97%	35.09%	37.01%
Selling Area — Square Feet	5,650	4,319	6,384
Sales Per Square Foot — Selling Area	$424.96	$375.84	$416.45
Total Area — Square Feet	22,941	18,925	25,003
Sales Per Square Foot — Total Area	$102.51	$82.67	$103.53
Sales Per Person Employed	$165,055	$132,376	$197,585
Sales Per Customer	$58.14	$121.85	$116.29

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	**Sales Under $1,000,000**	**$1,000,000 To $1,999,999**	**Sales $2,000,000 Or More**
Number of Outlets	106	153	233
Net Sales Volume	$579,209	$1,389,571	$4,686,369
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 2.43%	+ 6.44%	+13.07%
Gross Sales	101.46%	101.83%	102.36%
Less: Total Deductions	1.46	1.83	2.36
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.61	74.82	75.46
Margin Before Purchase Rebate or Patronage Dividend	28.39	25.18	24.54
Purchase Rebate or Patronage Dividend	.29	.26	.07
Margin After Purchase Rebate or Patronage Dividend	28.69	25.44	24.61
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.35	2.27	2.64
Salaries/Wages — Other Employees	8.77	10.10	8.72
Federal and State Payroll Taxes	1.30	1.05	1.00
Group Insurance	.63	.49	.34
Benefit Plans	.37	.64	.75
Total Payroll and Other Employee Expense	15.43	14.55	13.45
Occupancy Expense			
Heat, Light, Power, Water	.81	.43	.33
Building Repairs and Maintenance	.29	.18	.28
Rent or Ownership in Real Estate**	2.52	1.62	1.40
Total Occupancy Expense	3.62	2.23	2.01
Other Costs of Doing Business			
Office Supplies and Postage	.63	.46	.35
Advertising and Promotion	1.36	1.22	.79
Donations	.05	.05	.06
Telephone and Telegraph	.38	.32	.20
Bad Debts	.30	.48	.44
Credit Card Expense (Bank Charges)	.12	.07	.03
Delivery (Other Than Wages)	.72	.75	.84
Leasing Expenses (Non-Occupancy)	.07	.09	.06
Insurance (Other Than Real Estate and Group)	1.11	.74	.69
Taxes (Other Than Real Estate and Payroll)	.44	.41	.29
Interest (Other Than Mortgages)	1.20	1.19	.80
Depreciation (Other than Real Estate)	.80	.62	.76
Store and Shop Supplies	.24	.13	.16
Legal and Accounting	.39	.29	.29
Computer Services and Expenses (Other Than Wages)	.03	.10	.14
Dues and Subscriptions	.09	.07	.06
Travel, Buying, Entertainment	.16	.17	.20
Miscellaneous Services (Laundry, Disposal, etc.)	.02	.03	.12
Unclassified Expenses	.90	.87	.73
Total Other Costs of Doing Business	9.00	8.05	7.01
Total Operating Expenses	28.04	24.82	22.47
Operating Profit or Loss	.65	.61	2.14
Other Income	1.90	2.37	1.99
Net Operating Profit or Loss (Before Income Taxes)	2.55	2.99	4.13

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$303,996	$615,251	$1,710,406
		% of Total Assets	
Assets			
Cash On Hand and In Bank	7.73	8.35	6.17
Notes and Installment Contracts Receivable	.77	1.04	.87
Accounts Receivable	15.39	21.07	32.79
Merchandise Inventory (End of Year)	48.21	43.30	35.23
Other Current Assets	1.20	1.94	1.64
Total Current Assets	73.30	75.70	76.70
Stocks and Bonds	2.73	1.68	.77
Real Estate (Not Used in Business)	1.16	.86	.90
Other Investments	2.31	5.40	4.18
Total Investments	6.21	7.94	5.85
Land (Owned and Used in Bus.)	5.73	3.29	2.98
Buildings (Owned and Used in Bus. Less Depre.)	9.05	5.57	5.66
Leasehold Improvements (Less Amortization Allowance)	.23	.92	1.15
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.54	2.79	2.54
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.68	2.19	2.91
Other Fixed Assets	1.25	1.60	2.21
Total Fixed Assets	20.49	16.36	17.45
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.65	9.78	13.28
Current Portion of Notes Payable	7.95	9.71	8.27
Accrued Payroll Taxes	.38	.61	.60
Accrued Other Taxes	1.29	.65	2.00
Other Accrued Expenses	.65	2.93	3.23
Other Current Liabilities	2.87	2.39	3.59
Total Current Liabilities	23.79	26.07	30.98
Notes Due Partners/Officers	3.76	2.27	1.90
Mortgage Payable	2.60	2.62	2.21
Long Term Debt	12.48	11.89	11.65
Other Long Term Liabilities	1.13	2.00	1.61
Total Long Term Liabilities	19.98	18.77	17.37
Total Liabilities	43.76	44.85	48.35
Net Worth	56.24	55.15	51.65
Total Liabilities And Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	8.63%	12.24%	21.89%
Active Owner's Return	23.38%	21.53%	35.91%
Current Asset Ratio	3.08x	2.90x	2.48x
Quick Asset Ratio	1.05x	1.24x	1.34x
Total Debt to Tangible Net Worth	77.82%	81.32%	93.60%
Stock Turn Times	2.86x	4.01x	5.93x
Sales to Inventory Ratio	3.99x	5.36x	7.86x
Average Inventory per Sq. Ft. Sales Area	$30.75	$46.82	$99.13
Net Sales to Accounts Receivable	12.38x	10.72x	8.36x
Net Sales to Total Assets	1.91x	2.26x	2.74x
Net Sales to Net Worth	3.39x	4.10x	5.30x
Net Sales to Net Working Capital	2.71x	3.08x	3.75x

Other Operating Data

Credit Sales — % of Total Gross Sales	62.34%	73.53%	76.43%
Consumer Sales — % of Total Gross Sales	60.80%	50.20%	30.66%
Selling Area — Square Feet	4,162	5,854	6,192
Sales Per Square Foot — Selling Area	$120.44	$227.51	$640.66
Total Area — Square Feet	11,784	21,620	28,884
Sales Per Square Foot — Total Area	$41.04	$59.50	$135.06
Sales Per Person Employed	$105,882	$130,276	$180,544
Sales Per Customer	$37.71	$53.08	$61.46

Sales Floor Size

Income Statement Data	**Sales Area Under 3,000 Sq. Ft.**	**3,000 Sq. Ft. To 4,999 Sq. Ft.**	**Sales Area 5,000 Sq. Ft. Or More**
Number of Cutlets	62	98	278
Net Sales Volume	$3,010,154	$1,876,295	$2,916,303
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+17.24%	+ 7.98%	+11.13%
Gross Sales	101.57%	101.62%	102.83%
Less: Total Deductions	1.57	1.62	2.83
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.61	77.72	74.46
Margin Before Purchase Rebate or Patronage Dividend	25.39	22.28	25.54
Purchase Rebate or Patronage Dividend	.10	.13	.09
Margin After Purchase Rebate Or Patronage Dividend	25.49	22.42	25.64
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.52	2.45	2.28
Salaries — Other Employees	7.62	8.45	9.48
Federal and State Payroll Taxes	.88	1.06	1.04
Group Insurance	.38	.50	.34
Benefit Plans	.68	.45	.83
Total Payroll and Other Employee Expense	14.08	12.92	13.98
Occupancy Expense			
Heat, Light, Power, Water	.20	.33	.42
Building Repairs and Maintenance	.23	.31	.24
Rent or Ownership in Real Estate**	1.18	1.28	1.59
Total Occupancy Expense	1.61	1.92	2.25
Other Costs of Doing Business			
Office Supplies and Postage	.29	.40	.39
Advertising and Promotion	.52	.78	1.02
Donations	.04	.04	.06
Telephone and Telegraph	.20	.25	.22
Bad Debts	.26	.45	.45
Credit Card Expense (Bank Charges)	.02	.08	.04
Delivery (Other Than Wages)	1.35	.72	.80
Leasing Expenses (Non-Occupancy)	.05	.09	.06
Insurance (Other Than Real Estate and Group)	.83	.65	.72
Taxes (Other Than Real Estate and Payroll)	.34	.32	.30
Interest (Other Than Real Estate)	.57	1.22	.76
Depreciation (Other Than Real Estate)	1.07	.69	.69
Store and Shop Supplies	.09	.15	.16
Legal and Accounting	.18	.36	.30
Computer Services and Expenses (Other Than Wages)	.11	.14	.14
Dues and Subscriptions	.05	.07	.05
Travel, Buying, Entertainment	.15	.21	.20
Miscellaneous Services (Laundry, Disposal, etc.)	.17	.20	.07
Unclassified Expenses	.76	.83	.73
Total Other Costs of Doing Business	7.03	7.66	7.16
Total Operating Expenses	22.73	22.50	23.39
Operating Profit or Loss	2.77	- .08	2.25
Other Income	1.24	2.39	1.94
Net Operating Profit or Loss (Before Income Taxes)	4.00	2.31	4.19

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$1,047,221	$678,994	$1,148,817
		% of Total Assets	
Assets			
Cash On Hand and In Bank	7.07	6.12	7.59
Notes and Installment Contracts Receivable	1.32	.22	.79
Accounts Receivable	40.45	28.20	27.29
Merchandise Inventory (End of Year)	30.05	42.14	38.34
Other Current Assets	1.29	.87	1.72
Total Current Assets	80.16	77.55	75.74
Stocks and Bonds	.81	1.21	1.23
Real Estate (Not Used in Bus.)	1.07	1.96	.66
Other Investments	3.42	2.29	5.05
Total Investments	5.30	5.46	6.94
Land (Owned and Used in Bus.)	1.91	2.04	3.60
Buildings (Owned and Used in Bus. Less Depre.)	1.75	7.10	5.46
Leasehold Improvements (Less Depre.)	1.23	.94	1.12
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.30	3.22	2.36
Delivery Equipment (Owned and Used in Bus. Less Depre.)	4.52	2.04	2.59
Other Fixed Assets	2.82	1.65	2.19
Total Fixed Assets	14.54	16.99	17.32
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	12.70	13.59	12.29
Current Portion of Notes Payable	4.60	14.96	6.44
Accrued Payroll Taxes	.54	.29	.74
Accrued Other Taxes	4.07	1.26	1.21
Other Accrued Expenses	4.21	3.22	2.80
Other Current Liabilities	5.77	3.93	2.30
Total Current Liabilities	31.90	37.25	25.77
Notes Due Partners/Officers	4.23	3.15	1.71
Mortgage Payable	1.46	2.25	2.82
Long Term Debt	9.11	11.24	11.50
Other Long Term Liabilities	.78	1.52	2.17
Total Long Term Liabilities	15.58	18.16	18.20
Total Liabilities	47.48	55.41	43.97
Net Worth	52.52	44.59	56.03
Total Liabilities And Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	21.90%	14.33%	18.99%
Active Owner's Return	46.67%	29.54%	29.34%
Current Asset Ratio	2.51x	2.08x	2.94x
Quick Asset Ratio	1.57x	.95x	1.45x
Total Debt to Tangible Net Worth	90.40%	124.25%	78.49%
Stock Turn Times	7.62x	5.17x	4.94x
Sales to Inventory Ratio	10.21x	6.65x	6.63x
Average Inventory per Sq. Ft. Sales Area	$146.57	$84.73	$61.29
Net Sales to Accounts Receivable	7.11x	9.80x	9.30x
Net Sales to Total Assets	2.87x	2.76x	2.54x
Net Sales to Net Worth	5.47x	6.20x	4.53x
Net Sales to Net Working Capital	3.86x	3.75x	3.46x

Other Operating Data

Credit Sales — % of Total Gross Sales	81.43%	80.20%	73.69%
Consumer Sales — % of Total Gross Sales	24.15%	31.59%	38.72%
Selling Area — Square Feet	1,987	3,848	8,199
Sales Per Square Foot — Selling Area	$1,514.83	$487.55	$355.70
Total Area — Square Feet	22,391	20,616	27,892
Sales Per Square Foot — Total Area	$116.80	$86.39	$102.10
Sales Per Person Employed	$189,393	$157,132	$158,155
Sales Per Customer	$139.32	$121.26	$49.67

Outlet Location I

Income Statement Data	**Downtown**	**Suburban**	**Rural**
Number of Outlets	118	228	128
Net Sales Volume	$2,046,179	$3,478,541	$2,230,436
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+10.58%	+12.65%	+ 9.14%
Gross Sales	101.99%	102.27%	102.04%
Less: Total Deductions	1.99	2.27	2.04
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.00	75.01	75.80
Margin Before Purchase Rebate or Patronage Dividend	25.00	24.99	24.20
Purchase Rebate or Patronage Dividend	.16	.07	.16
Margin After Purchase Rebate or Patronage Dividend	25.17	25.06	24.35
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.93	2.67	2.33
Salaries/Wages — Other Employees	9.44	8.86	8.81
Federal and State Payroll Taxes	.93	1.04	1.06
Group Insurance	.46	.38	.30
Benefit Plans	.70	.74	.70
Total Payroll and Other Employee Expense	14.46	13.68	13.20
Occupancy Expense			
Heat, Light, Power, Water	.39	.30	.53
Building Repairs and Maintenance	.31	.27	.24
Rent or Ownership in Real Estate**	1.51	1.56	1.26
Total Occupancy Expense	2.21	2.13	2.03
Other Costs of Doing Business			
Advertising and Promotion	1.01	.79	.99
Insurance (Other Than Real Estate or Group)	.71	.71	.69
Taxes (Other Than Real Estate or Payroll)	.38	.31	.26
Interest (Other Than Real Estate)	.86	.80	1.13
Depreciation (Other Than Real Estate)	.65	.76	.75
All Other Expenses	3.69	3.75	3.66
Total Other Costs of Doing Business	7.30	7.12	7.48
Total Operating Expenses	23.96	22.93	22.71
Operating Profit or Loss	1.21	2.14	1.64
Other Income	2.05	2.16	1.80
Net Operating Profit or Loss (Before Income Taxes)	3.26	4.29	3.44
Financial Performance			
Profit on Investment	15.51%	21.66%	17.37%
Active Owner's Return	29.47%	35.12%	29.13%
Current Asset Ratio	2.67x	2.43x	2.88x
Quick Asset Ratio	1.30x	1.32x	1.33x
Total Debt to Tangible Net Worth	81.67%	93.62%	94.41%
Stock Turn Times	5.16x	5.77x	4.62x
Sales to Inventory Ratio	6.87x	7.69x	6.09x
Average Inventory per Sq. Ft. Sales Area	$60.10	$74.77	$69.43
Net Sales to Accounts Receivable	10.07x	8.07x	9.84x
Net Sales to Total Assets	2.62x	2.61x	2.59x
Net Sales to Net Worth	4.76x	5.04x	5.04x
Net Sales to Net Working Capital	3.72x	3.62x	3.37x
Other Operating Data			
Credit Sales — % of Total Gross Sales	77.48%	78.16%	68.24%
Consumer Sales — % of Total Gross Sales	36.19%	30.23%	45.16%
Selling Area — Square Feet	4,756	6,203	5,984
Sales Per Square Foot — Selling Area	$377.12	$511.02	$302.72
Total Area — Square Feet	22,913	25,435	20,876
Sales Per Square Foot — Total Area	$75.21	$117.71	$95.83
Sales Per Person Employed	$147,581	$170,624	$163,620
Sales Per Customer	$28.43	$86.99	$87.36

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Outlet Location II

		Free-Standing	
Income Statement Data	**Shopping Centers**	**No Stores Adjacent**	**Stores Nearby**
Number of Outlets	16	240	205
Net Sales Volume	$1,920,053	$2,930,716	$2,453,259
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+ 8.95%	+13.93%	+ 7.77%
Gross Sales	101.85%	102.72%	101.87%
Less: Total Deductions	1.85	2.72	1.87
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.82	75.22	74.93
Margin Before Purchase Rebate or Patronage Dividend	24.18	24.78	25.07
Purchase Rebate or Patronage Dividend	.36	.11	.08
Margin After Purchase Rebate or Patronage Dividend	24.54	24.88	25.15
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.28	2.47	2.44
Salaries/Wages — Other Employees	7.85	8.90	9.54
Federal and State Payroll Taxes	1.00	1.08	1.00
Group Insurance	.29	.31	.43
Benefit Plans	.42	.56	.91
Total Payroll and Other Employee Expense	12.84	13.31	14.32
Occupancy Expense			
Heat, Light, Power, Water	.44	.39	.37
Building Repairs and Maintenance	.15	.24	.31
Rent or Ownership in Real Estate**	1.35	1.52	1.50
Total Occupancy Expense	1.94	2.15	2.18
Other Costs of Doing Business			
Advertising and Promotion	.93	.85	1.02
Insurance (Other Than Real Estate and Group)	1.15	.68	.74
Taxes (Other Than Real Estate and Payroll)	.52	.33	.31
Interest (Other Than Real Estate)	1.11	.81	1.02
Depreciation (Other Than Real Estate)	.83	.74	.72
All Other Expenses	3.09	3.76	3.86
Total Other Costs of Doing Business	7.63	7.17	7.67
Total Operating Expenses	22.42	22.63	24.17
Operating Profit or Loss	2.12	2.25	.99
Other Income	1.67	2.23	1.95
Net Operating Profit or Loss (Before Income Taxes)	3.79	4.48	2.94

Financial Performance

Profit on Investment	19.74%	21.66%	15.40%
Active Owner's Return	36.82%	33.58%	28.18%
Current Asset Ratio	2.65x	2.52x	2.65x
Quick Asset Ratio	1.11x	1.31x	1.29x
Total Debt to Tangible Net Worth	87.76%	87.40%	100.82%
Stock Turn Times	4.73x	5.44x	5.04x
Sales to Inventory Ratio	6.24x	7.23x	6.73x
Average Inventory per Sq. Ft. Sales Area	$63.01	$72.72	$65.15
Net Sales to Accounts Receivable	13.07x	8.69x	9.55x
Net Sales to Total Assets	2.77x	2.58x	2.61x
Net Sales to Net Worth	5.21x	4.83x	5.25x
Net Sales to Net Working Capital	3.58x	3.55x	3.69x

Other Operating Data

Credit Sales — % Total Gross Sales	64.07%	73.08%	80.98%
Consumer Sales — % of Total Gross Sales	37.82%	35.98%	36.21%
Selling Area — Square Feet	4,850	5,925	5,888
Sales Per Square Foot — Selling Area	$395.88	$438.52	$378.50
Total Area — Square Feet	26,639	23,299	23,664
Sales Per Square Foot — Total Area	$57.22	$104.76	$93.27
Sales Per Person Employed	$132,666	$165,929	$155,415
Sales Per Customer	$92.57	$68.48	$42.98

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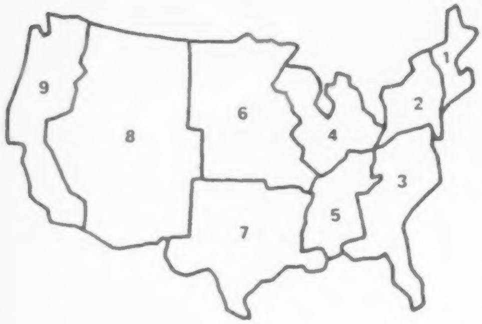
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

Income Statement Data	**1 New England**
Number of Stores	29
Net Sales Volume	$5,779,903
Current Year's Sales vs. Previous Year (1987 vs. 1986)*	+16.69%
Gross Sales	101.39%
Less: Total Deductions	1.39
Net Sales	100.00%
Cost of Goods Sold	75.39
Margin Before Purchase Rebate or Patronage Dividend	24.61
Purchase Rebate or Patronage Dividend	.12
Margin After Purchase Rebate or Patronage Dividend	24.73
Payroll and Other Employee Expense	
Salaries — Owners/Officers/Managers	3.71
Salaries/Wages — Other Employees	6.51
Federal and State Payroll Taxes	.71
Group Insurance	.46
Benefit Plans	.84
Total Payroll and Other Employee Expense	12.24
Occupancy Expense	
Heat, Light, Power, Water	.23
Building Repairs and Maintenance	.27
Rent or Ownership in Real Estate**	1.13
Total Occupancy Expense	1.63
Total Costs of Doing Business	
Advertising and Promotion	.58
Insurance (Other than Real Estate and Group)	.68
Taxes (Other than Real Estate and Payroll)	.21
Interest (Other than Real Estate)	.59
Depreciation (Other than Real Estate)	.72
All Other Expenses	3.11
Total Other Costs of Doing Business	5.89
Total Operating Expense	19.75
Operating Profit or Loss	4.98
Other Income	1.42
Net Operating Profit or Loss (Before Income Taxes)	6.40
Financial Performance	
Profit on Investment	32.76%
Active Owner's Return	51.77%
Current Asset Ratio	2.40x
Quick Asset Ratio	1.52x
Total Debt to Tangible Net Worth	78.33%
Stock Turn Times	7.03x
Sales to Inventory Ratio	9.32x
Average Inventory Per Sq. Ft. Sales Area	$121.87
Net Sales to Accounts Receivable	6.91x
Net Sales to Total Assets	2.87x
Net Sales to Net Worth	5.12x
Net Sales to Net Working Capital	3.62x
Other Operating Data	
Credit Sales — % of Total Gross Sales	73.27%
Consumer Sales — % of Total Gross Sales	24.65%
Selling Area — Square Feet	3,434
Sales Per Square Foot — Selling Area	$1,205.60
Total Area — Square Feet	21,374
Sales Per Square Foot — Total Area	$230.85
Sales Per Person Employed	$263,517
Sales Per Customer	$192.64

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
40	88	86	17	102	27	56	45
$4,523,306	$3,293,933	$2,126,598	$4,659,891	$1,907,968	$2,323,943	$1,483,815	$2,733,563
+15.84%	+10.24%	+11.01%	+15.83%	+ 7.75%	+8.49%	+ 2.90%	+ 9.79%
101.22%	102.77%	103.81%	104.37%	101.63%	102.48%	101.28%	101.34%
1.22	2.77	3.81	4.37	1.63	2.48	1.28	1.34
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
73.76	76.13	74.79	77.54	75.42	73.48	75.11	74.40
26.24	23.87	25.21	22.46	24.58	26.52	24.89	25.60
.08	.06	.19	.13	.08	.24	.08	.09
26.32	23.93	25.40	22.59	24.66	26.77	24.96	25.68
2.40	2.44	3.18	.91	2.87	3.66	1.22	2.58
8.84	9.56	8.49	10.15	8.69	8.79	10.70	10.08
1.05	.76	1.31	.55	1.26	1.25	.93	1.43
.31	.41	.43	.41	.17	.54	.30	.49
.81	.71	.54	.23	.66	.33	.89	1.14
13.41	13.88	13.96	12.24	13.65	14.57	14.04	15.73
.31	.33	.36	.30	.61	.50	.40	.32
.24	.24	.20	.39	.27	.28	.09	.48
1.54	1.14	1.86	1.76	1.38	1.91	1.55	.77
2.09	1.71	2.42	2.45	2.26	2.70	2.05	2.58
1.00	.70	.94	.64	1.08	1.28	1.26	.85
.92	.70	.68	.65	.61	.91	.77	.63
.19	.41	.51	.52	.20	.37	.23	.23
.53	.83	.98	.87	1.00	1.70	.71	1.21
.69	1.00	.71	.61	.61	.53	.50	.80
3.37	4.16	3.63	3.70	3.30	4.45	3.23	4.21
6.70	7.80	7.45	6.99	6.80	9.24	7.80	7.92
22.20	23.38	23.83	21.68	22.71	26.51	23.88	26.23
4.13	.55	1.57	.90	1.95	.26	1.08	- .55
1.19	1.94	1.53	2.20	3.40	1.89	3.02	2.37
5.32	2.49	3.09	3.11	5.35	2.15	4.10	1.82
31.25%	14.19%	13.45%	18.30%	21.51%	11.96%	13.38%	10.78
45.35%	28.12%	27.31%	23.64%	33.04%	32.29%	17.35%	26.08
2.56x	2.27x	2.47x	2.38x	3.03x	2.71x	3.99x	2.41x
1.35x	1.17x	1.20x	1.02x	1.54x	1.06x	1.92x	1.14x
85.66%	106.78%	104.31%	85.49%	70.44%	120.77%	52.57%	122.49%
6.40x	6.11x	4.15x	5.73x	4.58x	4.57x	4.17x	5.20x
8.67x	8.03x	5.55x	7.39x	6.08x	6.22x	5.55x	6.99x
$86.52	$65.09	$74.69	$69.48	$44.30	$52.48	$54.65	$70.47
9.93x	9.20x	6.75x	11.61x	8.99x	13.06x	10.38x	9.45x
3.16x	2.76x	2.13x	3.18x	2.36x	2.52x	2.14x	2.66x
5.87x	5.70x	4.35x	5.89x	4.02x	5.56x	3.26x	5.92x
4.05x	4.05x	3.02x	4.17x	3.06x	3.91x	2.96x	3.78x
72.25%	83.73%	71.54%	83.82%	68.43%	86.83%	79.28%	75.38%
37.74%	27.01%	35.37%	25.43%	49.86%	49.48%	44.74%	35.47%
5,892	5,298	4,975	7,218	6,465	4,663	7,068	5,365
$744.40	$542.16	$398.71	$583.62	$232.92	$313.61	$209.93	$470.70
40,602	29,147	19,061	31,662	17,374	18,200	21,183	18,640
$108.03	$99.75	$81.44	$133.04	$82.07	$74.43	$70.05	$132.87
$169,291	$146,044	$175,819	$165,763	$170,787	$126,505	$146,757	$150,645
$26.84	$148.64	$72.69	$116.06	$83.93	$26.61	$72.31	$47.83

Trade Area Size

Income Statement Data	**M.S.A. Central City**	**M.S.A. Surburban**	**Cities 10,000 - 50,000**	**Towns Under 10,000**
Number of Outlets	91	29	88	282
Net Sales Volume	$2,899,912	$7,332,991	$3,517,693	$2,049,215
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+ 9.40%	+16.66%	+12.28%	+10.20%
Gross Sales	102.43%	100.36%	103.14%	102.35%
Less: Total Deductions	2.43	.36	3.14	2.35
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.22	73.73	75.95	75.30
Margin Before Purchase Rebate or Patronage Dividend	24.78	26.27	24.05	24.70
Purchase Rebate or Patronage Dividend	.04	.01	.11	.17
Margin After Purchase Rebate or Patronage Dividend	24.83	26.28	24.16	24.87
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	2.22	3.32	2.78	2.55
Salaries/Wages — Other Employees	9.99	8.53	8.07	9.07
Federal and State Payroll Taxes	.97	.98	1.16	.98
Group Insurance	.29	.46	.30	.43
Benefit Plans	.55	.99	.59	.76
Total Payroll and Other Employee Expense	14.03	14.27	12.90	13.79
Occupancy Expense				
Heat, Light, Power, Water	.52	.23	.33	.37
Building Repairs and Maintenance	.26	.39	.22	.25
Rent or Ownership in Real Estate**	1.60	1.54	1.52	1.37
Total Occupancy Expense	2.39	2.15	2.07	2.00
Other Costs of Doing Business				
Advertising and Promotion	.93	.88	.84	.89
Insurance (Other Than Real Estate or Group)	.63	.63	.69	.80
Taxes (Other Than Real Estate or Payroll)	.31	.09	.42	.35
Interest (Other Than Real Estate)	.88	.47	1.13	.88
Depreciation (Other Than Real Estate)	.59	.66	.72	.84
All Other Expenses	4.00	3.33	3.68	3.82
Total Other Costs of Doing Business	7.33	6.07	7.42	7.58
Total Operating Expenses	23.74	22.48	22.39	23.36
Operating Profit or Loss	1.09	3.80	1.77	1.51
Other Income	2.13	1.77	2.70	1.76
Net Operating Profit or Loss (Before Income Taxes)	3.22	5.57	4.47	3.28
Financial Performance				
Profit on Investment	16.55%	33.64%	20.91%	15.37%
Active Owner's Return	27.98%	53.68%	33.92%	27.33%
Current Asset Ratio	3.04x	2.38x	2.39x	2.58x
Quick Asset Ratio	1.53x	1.56x	1.25x	1.18x
Total Debt to Tangible Net Worth	79.26%	90.06%	99.89%	89.15%
Stock Turn Times	5.33x	9.00x	5.12x	4.70x
Sales to Inventory Ratio	7.08x	12.20x	6.74x	6.24x
Average Inventory per Sq. Ft. Sales Area	$73.47	$120.26	$85.06	$58.45
Net Sales to Accounts Receivable	10.14x	7.57x	7.69x	9.47x
Net Sales to Total Assets	2.87x	3.18x	2.34x	2.48x
Net Sales to Net Worth	5.14x	6.04x	4.68x	4.69x
Net Sales to Net Working Capital	3.79x	4.00x	3.46x	3.40x
Other Operating Data				
Credit Sales — % of Total Gross Sales	74.94%	72.21%	78.56%	76.42%
Consumer Sales — % of Total Gross Sales	33.11%	30.82%	32.07%	38.85%
Selling Area — Square Feet	7,249	5,822	5,204	5,277
Sales Per Square Foot — Selling Area	$366.16	$1,223.33	$545.39	$324.17
Total Area — Square Feet	22,599	38,241	22,941	21,598
Sales Per Square Foot — Total Area	$113.82	$186.26	$107.21	$81.93
Sales Per Person Employed	$154,978	$236,394	$178,121	$150,581
Sales Per Customer	$109.74	$33.38	$65.24	$64.07

*As reported to us by The Profit Report contributors.

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**Figures may not add to totals indicated because of rounding.

Number of Outlets

Income Statement Data	Single Store Outlet	2-10 Stores	11 Stores Or More
Number of Outlets	256	125	111
Net Sales Volume	$2,998,258	$3,497,298	$1,452,326
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+10.88%	+15.94%	+ 4.11%
Gross Sales	102.43%	102.30%	101.12%
Less: Total Deductions	2.43	2.30	1.12
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.42	75.41	73.50
Margin Before Purchase Rebate or Patronage Dividend	24.58	24.59	26.50
Purchase Rebate or Patronage Dividend	.15	.07	.00
Margin After Purchase Rebate or Patronage Dividend	24.73	24.67	26.50
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.62	3.03	1.84
Salaries/Wages — Other Employees	8.39	9.07	11.22
Federal and State Payroll Taxes	.96	1.01	1.30
Group Insurance	.40	.40	.22
Benefit Plans	.68	.67	.99
Total Payroll and Other Employee Expense	13.05	14.19	15.57
Occupancy Expense			
Heat, Light, Power, Water	.33	.30	.71
Building Repairs and Maintenance	.23	.39	.13
Rent or Ownership in Real Estate**	1.43	1.67	1.22
Total Occupancy Expense	2.00	2.34	2.06
Other Costs of Doing Business			
Advertising and Promotion	.82	.76	1.54
Insurance (Other Than Real Estate or Group)	.80	.63	.57
Taxes (Other Than Real Estate or Payroll)	.36	.29	.17
Interest (Other Than Real Estate)	.84	.85	1.12
Depreciation (Other Than Real Estate)	.79	.72	.58
All Other Expenses	3.61	3.94	3.76
Total Other Costs of Doing Business	7.20	7.20	7.73
Total Operating Expenses	22.25	23.73	25.36
Operating Profit or Loss	2.49	.94	1.14
Other Income	1.99	1.87	2.77
Net Operating Profit or Loss (Before Income Taxes)	4.48	2.81	3.92
Financial Performance			
Profit on Investment	20.63%	17.75%	15.75%
Active Owner's Return	32.72%	36.92%	23.15%
Current Asset Ratio	2.54x	2.21x	4.17x
Quick Asset Ratio	1.27x	1.21x	1.96x
Total Debt to Tangible Net Worth	84.80%	115.86%	68.69%
Stock Turn Times	5.05x	6.88x	3.79x
Sales to Inventory Ratio	6.69x	9.13x	5.16x
Average Inventory Per Sq. Ft. Sales Area	$69.66	$75.58	$40.09
Net Sales to Accounts Receivable	8.50x	8.51x	11.66x
Net Sales to Total Assets	2.49x	2.93x	2.38x
Net Sales to Net Worth	4.61x	6.32x	4.02x
Net Sales to Net Working Capital	3.45x	4.18x	2.88x
Other Operating Data			
Credit Sales — % of Total Gross Sales	73.96%	83.07%	65.43%
Consumer Sales — % of Total Gross Sales	32.74%	29.37%	59.99%
Selling Area — Square Feet	5,573	4,257	7,396
Sales per Square Foot — Selling Area	$461.50	$679.69	$196.38
Total Area — Square Feet	24,308	21,815	21,057
Sales per Square Foot — Total Area	$105.50	$124.41	$68.97
Sales per Person Employed	$175,731	$164,075	$131,491
Sales per Customer	$83.24	$35.48	$84.62

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Outlet Orientation

Income Statement Data	**Contractor Oriented**	**Consumer Oriented**
Number of Outlets	216	252
Net Sales Volume	$4,248,186	$1,499,331
Current Year's Sales vs. Previous Year (1987 vs 1986)*	+13.54%	+ 6.86%
Gross Sales	102.60%	101.45%
Less: Total Deductions	2.60	1.45
Net Sales	100.00%	100.00%
Cost of Goods Sold	75.75	73.25
Margin Before Purchase Rebate or Patronage Dividend	24.25	26.75
Purchase Rebate or Patronage Dividend	.08	.16
Margin After Purchase Rebate or Patronage Dividend	24.34	26.91
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.68	2.57
Salaries/Wages — Other Employees	8.55	10.11
Federal and State Payroll Taxes	.92	1.24
Group Insurance	.39	.35
Benefit Plans	.73	.73
Total Payroll and Other Employee Expense	13.28	15.01
Occupancy Expense		
Heat, Light, Power, Water	.28	.59
Building Repairs and Maintenance	.28	.22
Rent or Ownership in Real Estate**	1.42	1.63
Total Occupancy Expense	1.98	2.43
Other Costs of Doing Business		
Advertising and Promotion	.67	1.45
Insurance (Other Than Real Estate or Group)	.72	.72
Taxes (Other Than Real Estate or Payroll)	.32	.28
Interest (Other Than Real Estate)	.74	1.15
Depreciation (Other Than Real Estate)	.79	.65
All Other Expenses	3.74	3.86
Total Other Costs of Doing Business	6.97	8.11
Total Operating Expenses	22.23	25.55
Operating Profit or Loss	2.11	1.36
Other Income	1.79	2.09
Net Operating Profit or Loss (Before Income Taxes)	3.89	3.45
Financial Performance		
Profit on Investment	21.15%	14.47%
Active Owner's Return	35.71%	25.26%
Current Asset Ratio	2.32x	3.52x
Quick Asset Ratio	1.27x	1.52x
Total Debt to Tangible Net Worth	97.73%	75.97%
Stock Turn Times	6.11x	4.03x
Sales to Inventory Ratio	8.06x	5.50x
Average Inventory Per Sq. Ft. Sales Area	$88.08	$43.59
Net Sales to Accounts Receivable	8.03x	12.06x
Net Sales to Total Assets	2.75x	2.38x
Net Sales to Net Worth	5.43x	4.19x
Net Sales to Net Working Capital	3.80x	3.19x
Other Operating Data		
Credit Sales — % of Total Gross Sales	79.26%	65.40%
Consumer Sales — % of Total Gross Sales	24.30%	61.18%
Selling Area — Square Feet	5,563	6,157
Sales per Square Foot — Selling Area	$695.19	$218.89
Total Area — Square Feet	27,831	20,590
Sales per Square Foot — Total Area	$135.99	$64.37
Sales Per Person Employed	$180,748	$130,530
Sales Per Customer	$123.37	$30.54

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Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contribution

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of sales area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building materials outlet carrying only these departments.

As an example, a lumber/building materials outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	= 59.1%

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space and inventory.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.58 which means $1.58 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

		Handling Firms Only				Average Outlet Profile		
Department	% Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	% of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	6.2	19.5	8.8	153.92	6.2	19.5	8.7
Hand Tools	95.6	2.2	6.1	3.4	114.52	2.1	5.9	2.8
Power Tools & Accessories	89.4	2.6	5.1	3.0	129.51	2.2	4.8	2.4
Plumbing, Heating & Cooling	74.4	3.0	7.5	4.9	155.44	2.1	4.0	3.6
Electrical Supplies	86.8	2.7	5.7	4.0	146.02	2.3	5.4	3.6
Paint & Home Decorating	93.5	6.4	17.8	10.3	173.02	5.8	17.4	9.8
Lumber	100.0	45.8	11.4	31.3	1,113.03	44.9	11.2	30.9
Building Materials	100.0	25.6	21.6	26.9	505.66	25.4	20.7	26.5
Lawn & Garden	62.9	2.2	5.0	3.2	186.66	1.3	3.9	1.8
Housewares	20.0	1.0	5.1	2.0	75.25	.2	1.1	.5
Automotive Supplies	12.7	.7	1.9	1.3	137.83	.1	.4	.2
Major Appliances & Home Entertainment	22.1	6.3	4.9	6.8	284.40	.9	2.4	1.9
Sporting Goods & Outdoor Living	13.2	1.3	1.6	.9	149.92	.1	.3	.2
Miscellaneous Goods	52.9	10.9	4.3	10.1	1,099.17	6.5	3.1	7.1
						100.0	100.0	100.0

*Includes inside sales area only.
Productivity

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	37.6	5.1	1.90
Hand Tools	34.5	5.0	1.73
Power Tools & Accessories	30.2	4.9	1.48
Plumbing, Heating & Cooling	34.5	3.8	1.32
Electrical Supplies	34.6	4.7	1.64
Paint & Home Decorating	35.0	4.7	1.65
Lumber	24.6	6.5	1.61
Building Materials	26.5	6.5	1.71
Lawn & Garden	30.7	5.4	1.67
Housewares	33.7	3.1	1.04
Automotive Supplies	35.3	3.8	1.34
Major Appliances & Home Entertainment	17.2	5.3	.90
Sporting Goods & Outdoor Living	32.9	7.2	2.37
Miscellaneous Goods	30.8	7.0	2.14

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment, gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets

—Computed by dividing Net Sales by Total Assets, expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

Sales Per Sq. Ft. — Total Area

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)

—Computed by taking gross margin percentage times sales to inventory ratio.

—Considers both margin and turnover.

—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Before Making Critical Planning Decisions

Ask The Right Questions!

QUESTIONS:

Market Potential? How much Do-It-Yourself potential is in my trading area? Will the market grow or decline? How fast? Is the market in a transition?

Future Markets? What additional market opportunities are there? Where are they? What size are the markets? Which ones offer the greatest potential?

Expansion? Should I expand? Should I reformat? What size should I be? What sales increase will there be? What product assortment should be offered?

Site Location? How good is my site? Should I relocate? Where? What changes should I make if I do? What can I afford?

Image? What image do I have with my current customers? My non-customers? What are my strengths? What do I do poorly? Who are my competitors? Why do my customers patronize a particular store? For what products? What do my customers really want out of a Do-It-Yourself store?

Market Saturation? How saturated is my market? What is my market share? What market share do my competitors have? Can I increase my market share? How much? What must be done to do so?

Advertising? Is my advertising reaching my market? What is the message to the consumer? What method and media should I use? Should I increase my ad budget? Am I properly positioning the store in both price and product?

NRHA

ANSWERS

The Retail Research Department of the National Retail Hardware Association and Home Center Institute specializes in providing answers to these and other marketing questions. Over fifteen years in analyzing the hardlines industry enables us to provide marketing consultation, experience and research unavailable from other sources.

When making critical planning decisions, we can help.

Contact the Retail Research Department of NRHA or your local State or Regional Affiliated Hardware Association.

☐ **YES! I NEED THE ANSWERS!**

Please send Market Planning information on these areas:

☐ Trade Area Analysis
☐ Market Location Analysis
☐ Consumer Research
☐ Customer Surveys

Name ______________________

Company ______________________

Address ______________________

City/State/Zip ______________________

Mail To:
Mr. Greg Venable

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
or call (317) 248-1261

Participate Through Your Trade Association

Join The Home Center Institute

The Home Center Institute serves the Home Center Retailing Industry through five councils, set up to address various operating and legislative issues common to the members:

Executive Advisory Council
Safety Action Council
Loss Prevention Council
Training Manager's Council
Washington Council

Other Councils or Committees are set up on an ad hoc basis to cover major issues as they occur (i.e. bar coding and Electronic Data Interchange, etc.)

As a member of the Home Center Institute, you are informed on industry issues and, more importantly, you are in a position to effect and direct changes as they are needed.

- INFORMATION through trade publications, member newsletters, council meetings and conferences.
- EDUCATION through video libraries, book clubs, correspondence courses and access to trade library.
- LEGISLATION through our Washington Advisory Council and lobbyists working inconcert.

If you are not currently a member, we invite you to join by sending in the following request for membership information.

Yes. Send me information on membership in the Home Center Institute:

Firm Name ______________________________

Address ______________________________

City/State/Zip ______________________________

Telephone No. (____) ______________________

All Home Center Institute information and services should be sent to:

Name ______________________________

Title ______________________________

Number of retail outlets operated by company ______________________________

Approximate total sales volume annually:
____Under $ 10 million
____$10 million - 25 million
____$25 million - 50 million
____$50 million - 75 million
____$75 million - 100 million
____$100 million - 200 million
____$200 million - 500 million
____$500 million - 1 billion
____Over $1 billion

NRHA

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
(317) 248-1261
Fax: 317-241-4515 Telex: 027-323

What Do The Most Profitable, Most Productive, Best Looking Stores Have In Common?

The Master Merchant Design Team!

Presentation of merchandise on the salesfloor is crucial to the success of a retail do-it-yourself business. Your salesfloor must look appealing, interesting, and exciting. It must be productive and profitable to maintain solid growth in this competitive retailing environment.

The Master Merchant store planning division of the National Retail Hardware Association offers you a single-source consulting service staffed by highly trained store planners/designers and merchandising consultants at the national and regional level.

Services provided by Master Merchant professionals include:

Consultation

On-site consultations are available to help you better position your business for increased sales and turnover and operating efficiencies.

Store Planning and Design

Working with you on an individual basis, our designers will.....

- design a salesfloor that gives you maximum effectiveness of existing space.
- create traffic flow patterns and fixture arrangements.
- develop departmental locations and adjacencies.
- detail merchandise placement by fixture module and determine locations of checkout counters and service areas.
- provide itemized store equipment specifications and pricing.
- determine location and sizes of receiving/warehouse areas, office areas, restrooms, etc.

Interior/Exterior Design

Your store can be exciting and distinctive with color, signing, and graphics - all to stimulate customer buying and return visits.

Site Planning

A detailed plan provides for maximum utilization of your property including proper location of the building, allowance for future expansion, parking lot layout, and appropriate driveways for ingress and egress and truck routing.

Yard & Warehouse Planning

Also knowledgeable about what goes on off the sales floor, our team will help to determine the best location of sheds and warehouses, drive-thru layouts, merchandise location and placement, warehousing equipment and racking specifications and pricing, and truck routing.

Store Equipment

The Master Merchant line of store fixtures and accessories offer maximum product presentation possibilities, are flexible for all display needs, *and* are competitively priced.

Installation & Merchandising Assistance

Our professionals can provide you with on-site installation supervision of store fixtures and "hands-on" merchandising with minimum interruption of business and an on-time completion.

Program Implementation

From start to finish we can assist you in scheduling, budgeting and supervising the program, allowing you to devote your time to running your business.

Each Master Merchant design team is ready and equipped with the latest trends to make your store a tough competitor. Just call the Master Merchant team in your area --(see page 27 of this book) or contact NRHA.

NRHA

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
(317) 248-1261
Fax 317-241-4515 Telex 027-323

NRHA National Retail Hardware Association
770 North High School Road
Indianapolis, Indiana 46214-3798
(317) 248-1261

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Affiliated Associations

California Pacific Southwest Hardware Association: William R. Maze, 122 Ninth St., San Francisco, Calif. 94103 *(415) 552-0536*

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Illinois Retail Hardware Association: Sidney W. Chambless, 215 W. Prospect Ave., Mt. Prospect 60056 *(312) 392-8700*

Indiana-Kentucky Hardware Association: Richard L. Russell, 8383 Craig St., Suite 150, Indianapolis, Ind. 46250 *(317) 576-6300*

Iowa Retail Hardware Association: John C. Phillips, 520 35th St., Des Moines 50312 *(515) 274-0401; (800) 652-9609 (Iowa only)*

Michigan Retail Hardware Association: Thomas A. Aitken, 4414 S. Pennsylvania Ave., P.O. Box 30085, Lansing 48909 *(517) 394-1710*

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